Alberta

Freedom To Create. Spirit To Achieve.

Advanced Education and Technology

Public Post-Secondary Institutions Audited Financial Statements

Universities and The Banff Centre

for the year ended March 31, 2010

Government of Alberta

Audited financial statements of the public post-secondary institutions are available on Advanced Education and Technology's website:

aet.alberta.ca/post-secondary/campusalberta/accountability.aspx

For a print version of the complete audited financial statements, contact the Post-Secondary Planning and Investment Branch:

780-415-4863

Deaf callers with TTY equipment
phone 780-427-9999 (Edmonton)
toll free 1-800-232-7215 (other Alberta locations)

ISSN 1922-9259

Public Post-Secondary Institutions
Audited Financial Statements

Table of Contents

Universities and The Banff Centre – Year ended March 31, 2010

ATHABASCA UNIVERSITY

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31 , 2010

ATHABASCA UNIVERSITY

Financial Statements

For the year ended March 31, 2010

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes to Net Assets
- Statement of Cash Flows
- Notes to the Financial Statement

Auditor's Report

To the Athabasca University Governing Council

I have audited the statements of financial position of Athabasca University as at March 31, 2010 and 2009 and the statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and 2009 and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
May 28, 2010

ATHABASCA UNIVERSITY

STATEMENT OF FINANCIAL POSITION

YEAR ENDED MARCH 31

(thousands of dollars)

	2010	2009 Restated (Note 3)
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	$ 7,733	$ 2,063
Short-term investments (Note 5)	22,601	28,395
Accounts receivable	6,593	4,939
Inventories and prepaid expenses	6,210	5,187
	43,137	40,584
Long-term investments (Note 5)	29,906	31,120
Capital assets (Note 6)	34,394	25,526
	$ 107,437	$ 97,230
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 15,095	$ 8,550
Deferred revenue	12,794	12,672
Deferred contributions, research and other (Note 8)	12,331	5,940
	40,220	27,162
Employee future benefit liabilities (Note 7)	10,037	7,295
Deferred capital contributions (Note 8)	18,455	27,615
Unamortized deferred capital contributions (Note 9)	23,703	12,454
	92,415	74,526
Contractual obligations (Note 13)		
Net assets		
Endowments (Note 10)	2,346	2,029
Investment in capital assets, internally restricted (Note 11)	10,691	13,072
Internally restricted (Note 12)	9,250	9,550
Unrestricted (deficit)	(7,265)	(1,947)
	15,022	22,704
	$ 107,437	$ 97,230

Approved on behalf of the Governing Council:

Barry J. Walker, FCA
Chair, Athabasca University Governing Council

Dr. Frits Pannekoek
President

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

(thousands of dollars)

	2010 Budget	2010	2009 Restated (Note 3)
Revenue			
Government of Alberta grants (Note 16)	$ 42,310	$ 43,055	$ 38,537
Student tuition and fees:			
Undergraduate	42,978	40,905	39,070
Graduate	17,871	16,753	15,138
Sales of services and products	13,348	12,629	12,564
Investment income (loss) (Note 15)	1,631	4,431	(2,463)
Federal and other government grants	350	1,528	251
Donations and other grants	2,730	1,481	2,279
Amortization of deferred capital contributions (Note 9)	840	746	833
	122,058	121,528	106,209
Expenses			
Salaries	69,958	73,156	64,672
Employee benefits	13,252	16,087	12,864
Materials, supplies and services:			
Fees and purchased services	19,047	17,144	15,758
Materials and supplies	10,272	9,987	9,980
Communications and travel	7,119	6,476	7,264
Rental and insurance	2,333	2,433	2,744
Amortization of capital assets	2,552	3,269	2,907
Scholarships, bursaries and awards	494	981	1,302
	125,027	129,533	117,491
Deficiency of revenue over expenses	$ (2,969)	$ (8,005)	$ (11,282)

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31

(thousands of dollars)

	Endowments	Investment in Capital Assets, Internally Restricted	Internally Resticted	Unrestricted (Deficit)	Total
			2010		
Balance, beginning of year	$ 2,029	$ 13,072	$ 9,550	$ (1,947)	$ 22,704
Deficiency of revenue over expenses	-	-	-	(8,005)	(8,005)
Investment in capital assets (Note 11)	-	(2,381)	-	2,381	-
Expenditure of internally restricted net assets	-	-	(300)	300	-
Endowment contributions and net transfers	317	-	-	6	323
Balance, end of year	$ 2,346	$ 10,691	$ 9,250	$ (7,265)	$ 15,022
			2009		
Balance, beginning of year as previously reporte	$ 1,595	$ 11,636	$ 19,529	$ (1,555)	$ 31,205
Restatement (Note 3)	-	-	-	2,151	2,151
Balance, beginning of year as restated	$ 1,595	$ 11,636	$ 19,529	$ 596	$ 33,356
Deficiency of revenue over expenses as restated (Note 3)	-	-	-	(11,282)	(11,282)
Investment in capital assets (Note 11)	-	1,436	-	(1,436)	-
Expenditure of internally restricted net assets	-	-	(9,979)	9,979	-
Endowment contributions and net transfers	434	-	-	196	630
Balance, end of year as restated	$ 2,029	$ 13,072	$ 9,550	$ (1,947)	$ 22,704

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

(thousands of dollars)

	2010	2009 (Restated Note 3)
Cash provided from (used in) operating activities:		
Deficiency of revenue over expenses	$ (8,005)	$ (11,282)
Add (deduct) non-cash items:		
Amortization of capital assets	3,269	2,907
Amortization of deferred capital contributions	(746)	(833)
Loss (gain) on disposal of capital assets	76	(15)
Change in employee future benefit liabilities	2,742	867
Change in unrealized (gain) loss on investments	(3,354)	3,922
	(6,018)	(4,434)
Net change in non-cash working capital:		
Inventory and prepaid expenses	(1,024)	(56)
Accounts payable and accrued liabilities	5,593	(2,438)
Deferred contributions	6,391	1,394
Deferred revenue	123	880
Short term investments	5,794	(12,700)
Accounts receivable	(1,654)	500
	15,223	(12,420)
	9,205	(16,854)
Cash provided from (used in) investing activities:		
Purchases of capital assets, net of proceeds from disposals	(11,261)	(6,575)
Purchases of long term investments, net of sales	1,214	21,753
Unrealized gain (loss) on investments	3,354	(3,922)
	(6,693)	11,256
Cash provided from (used in) financing activities:		
Capital contributions	2,683	74
Interest earned on capital contributions	152	851
Endowment contributions	-	630
Endowment investment earnings	336	-
Endowment awards	(13)	-
	3,158	1,555
Net cash increase (decrease) in cash and cash equivalents	5,670	(4,043)
Cash and cash equivalents, beginning of year	$ 2,063	6,106
Cash and cash equivalents, end of year (Note 4)	$ 7,733	$ 2,063

The accompanying notes are part of these financial statements.

1. Authority and Purpose

Athabasca University Governing Council is a corporation which manages and operates Athabasca University ("the University") under the *Post-Secondary Learning Act*, statutes of Alberta 2003, chapter P-19.5, and the Athabasca University Regulation, Alberta Regulation 50/2004. All members of Governing Council are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the President, who is an *ex officio* member. Under the *Post-secondary Learning Act* the University is a comprehensive academic and research institution (as per Campus Alberta Sector Regulation) offering undergraduate and graduate degree programs through distance education. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities and amortization of capital assets are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Financial Instruments

The University's financial assets and liabilities are generally classified and measured as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for Trading	Fair Value
Investments	Held for Trading	Fair Value
Accounts receivable	Loans and Receivables	Amortized Cost
Accounts payable and accruals	Other liabilities	Amortized Cost

The University's financial instruments are recognized on their settlement date. Transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk and liquidity risk. Each of these risks is managed through the University collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

Summary of Significant Accounting Policies and Reporting Practices – continued

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Cost of purchased inventory includes the purchase price, cost of shipping and net tax. For internally produced inventory, cost also includes direct and indirect overhead. Inventories held for consumption are valued at cost or net replacement cost.

(d) Copyrights

The University obtains copyrights on all course materials produced. These copyrights are recorded at a nominal value of one dollar and are included in prepaid expenses.

(e) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at fair value when a fair value can be reasonably determined. Works of art purchased by the University are not amortized and include sketches, limited edition prints, photographs, sculptures, rare books, and original paintings. The works of art are held by the University for education, research, and public exhibition purposes.

Construction in progress includes construction costs directly attributable to the construction including engineering and, legal fees.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives, as follows:

	Years
Buildings	40
Site improvements	10 - 25
Leasehold improvements	lesser of 5 years or lease term
Furnishings, equipment and software	3 - 10
Library materials	10

(f) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Operating grants - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the appropriate future period.
- Unrestricted investment income - when earned; this includes interest, dividends, and realized and unrealized gains and losses.
- Pledges - when collected.
- Revenues received for services and products - when the services or products are substantially provided. Deferred revenue includes course fees received in advance.
- Tuition fees - when the instruction is delivered.
- Donations of materials – are recorded at fair value when a fair value can be reasonably determined and when materials and services would otherwise have been purchased.
- Restricted contributions - based on the deferral method.

Summary of Significant Accounting Policies and Reporting Practices – continued

Revenue Recognition - continued

Deferral method

- Contributions, including investment income on the contributions which are restricted for purposes other than endowment or capital asset acquisitions are deferred and recognized as revenue when the conditions of the contribution are met.
- Contributions to acquire capital assets with limited life are first recorded as deferred capital contributions when received; and when expended they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.
- Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets.
- Endowment investment earnings that are allocated for spending are reported in endowments.
- Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

(g) Employee Future Benefits

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

The University's other defined benefit plans include the following: Administrative Leave, Flexible Benefits, Extended Health and Dental Care, Life and Dependent Life Insurance, Weekly Indemnity, and Long-term Disability.

For the Administrative Leave, the cost of benefits earned by employees is actuarially determined using the projected benefit method, prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

For the Extended Health and Dental Care Plans, the costs of benefits earned by employees are the actual claims paid during the period, the insurer's cost of administration (net of interest), plus the year-over-year change in the estimate for any claims that may have occurred but have not been paid. The net change is recorded as an expense or recovery.

Summary of Significant Accounting Policies and Reporting Practices – continued

Employee Future Benefits - continued

For the Life and Dependent Life Insurance, Weekly Indemnity and Long Term Disability Plans, the cost of the employee future benefit, if any is not reflected. Future premium rates are negotiated annually. Rate adjustments are determined based on a combination of the insurer's manual rate and the University's actual claims experience over the past five years. Any plan assets resulting from the surplus or deficit of the plans are attributed to the insurer.

(h) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 8), endowment net assets (Note 10) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (Note 5), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial approval for a deficit budget, for borrowing and for the sale of any land or buildings.

(i) Contributed Services

Volunteers as well as staff members of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

(thousands of dollars)

3. Changes in Accounting Policies

In previous years, the University had accounted for its allocations to staff professional development accounts by recognizing an expense and accruing a liability when the funding was allocated. To better reflect the economic substance of these transactions the University now recognizes the expense in the period in which the professional development activity occurs.

This change has been applied retroactively with restatement of prior year amounts. The effect on the 2009 financial statements as a result of the change in accounting policy is as follows:

		2009		
		As previously recorded	Adjustment recorded	As restated
Increase (decrease) in:				
Statement of financial position				
Current liabilities - accounts payable and accrued liabilities	$	10,933	(2,383)	8,550
Unrestricted net assets, beginning of the year	$	(1,555)	2,151	596
Unrestricted net assets, end of the year	$	(4,330)	2,383	(1,947)
Statement of operations				
Communications and travel	$	7,496	(232)	7,264
Total expenses	$	117,723	(232)	117,491
Deficiency of revenue over expenses	$	(11,514)	232	(11,282)

4. Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit, money market funds, short-term notes and treasury bills, with a maximum maturity of ninety days at date of purchase.

(thousands of dollars)

5. Investments

As at March 31, 2010, the composition, fair value and effective yields of short-term investments are as follows:

		2010		2009	
	Terms to Maturity in Years	Effective Yield	Value	Effective Yield	Value
Money market funds, short-term notes and treasury bills	<1	1.1%	$ 22,601	3.1%	$ 28,395

As at March 31, 2010, the composition, fair value and annual market yields on long-term investments are as follows:

	2010		2009	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Canadian money market	0.6%	$ 17,916		$ -
Canadian bonds	10.5%	1,328	3.0%	22,695
Canadian equity	44.0%	5,018	(32.8%)	3,606
US equities	22.1%	3,541	(25.2%)	3,024
Overseas equities	28.9%	2,103	(33.1%)	1,795
		$ 29,906		$ 31,120

The Investment Policy for the University, approved by the Athabasca University Governing Council, provides the structure and guidelines within which the University's investment portfolio is to be effectively managed and enhanced. The University's Investment Advisory Group has the delegated authority for oversight of the University's investments.

The investment objective is to ensure that the investments are selected to match the anticipated cash flow requirements of the University. Therefore, short-, medium-, and long-term (including endowment) investment portfolios have been established. Based on cash flow projections, the University determines the amounts to be invested in each portfolio. The Investment Policy defines minimum and maximum ranges for each type of qualifying investment within each investment portfolio.

Canadian equities are listed in the S&P/TSX composite index, and US and International equities are limited to shares and pooled funds listed and traded on recognized stock market exchanges.

As instructed by the Investment Advisory Group, all bonds and debentures are rated BBB or higher, as measured by the Dominion Bond Rating Service (DBRS). A primary strategy used by the external fund manager to address risks in this fund is varying duration based on anticipation of future yields. The external fund manager also manages risks by varying the percentage of bonds and debentures issued by corporations as compared to those issued or guaranteed by the federal government or a provincial government. For the Bond Fund and Money Market Funds risks related to foreign currency exchange rate fluctuations are insignificant.

(thousands of dollars)

6. Capital Assets

	2010			2009		
	Cost [1][2]	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,565	$ -	$ 1,565	$ 1,565	$ -	$ 1,565
Buildings and site improvements	40,063	17,407	22,656	30,219	16,732	13,487
Leasehold improvements	3,187	2,168	1,019	3,193	1,532	1,661
Furnishings, equipment and software	23,930	16,522	7,408	22,307	15,189	7,118
Library materials	5,856	4,841	1,015	5,761	4,734	1,027
Works of art	731	-	731	668	-	668
	$ 75,332	$ 40,938	$ 34,394	$ 63,713	$ 38,187	$ 25,526

(1) Beginning August 1, 2006, for a term of 99 years, the University has leased certain lands (Lot 3 and 4, Block 8, Plan 0623053, to the north of and adjacent to its main campus) to the Town of Athabasca and the County of Athabasca for a nominal amount of one dollar per year.

(2) Included in the cost of capital assets are projects in progress that are not yet being amortized. These include buildings $13,355 (2009 - $3,519) and technology software $1,444 (2009 - $0)

7. Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

	2010	2009
Universities Academic Pension Plan (UAPP)	$ 7,265	$ 4,330
Administrative leave plan	2,733	1,765
Flexible benefits plan	39	1,200
	$ 10,037	$ 7,295

A. Defined Benefit

The Universities Academic Pension Plan (UAPP) is a multi-employer contributory joint defined benefit pension plan for academic and professional staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2008. This was then extrapolated to the year ended December 31, 2009 and further extrapolated to the University's year end of March 31, 2010.

(thousands of dollars)

Employee Future Benefit Liabilities - continued

Defined Benefit – continued

The Public Service Pension Plan (PSPP) is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the PSPP reported an actuarial deficiency of $1,729,196 (2008 - $1,187,538). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2009. The pension expense recorded in these financial statements is $1,067 (2009 - $897).

The financial positions reported below represent the plans as a whole and not the University's share:

	2010		2009	
	March 31,2010	December 31,2009	March 31,2009	December 31,2008
UAPP				
Post 1991	(277,859)	(305,020)	(442,750)	(303,034)
Pre 1992	(646,208)	(665,980)	(857,110)	(752,437)
Total	(924,067)	(971,000)	(1,299,860)	(1,055,471)
PSPP	Not Available	(1,729,196)	Not Available	(1,187,538)

The University's portion of the UAPP deficiency disclosed below has been allocated based on its percentage of the plan's total employer contributions for the year.

	2010	2009
Financial Operations		
Expenses		
Current service cost	$ 3,523	$ 2,940
Interest cost	1,983	870
Amortization of net actuarial losses	2,132	760
	$ 7,638	$ 4,570
Financial Position		
Accrued benefit obligation		
Balance, beginning of year	$ 75,853	$ 63,380
Current service cost	3,523	2,940
Interest cost	5,203	4,343
Benefits paid	(3,453)	(2,910)
Actuarial (gain) loss	(12,626)	8,100
Balance, end of year	68,500	75,853
Plan assets	(51,684)	(47,448)
Funded status - plan deficit	16,816	28,405
Unamortized net actuarial loss	(9,551)	(24,075)
	$ 7,265	$ 4,330

(thousands of dollars)

Employee Future Benefit Liabilities - continued

Defined Benefit - continued

The UAPP unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25 per cent (2009 - 1.25 per cent) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03 per cent (2009 - 1.74 per cent) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2009 of the Province of Alberta's obligation for the future additional contributions was $270,000. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.64 per cent (2008 – 4.08 per cent) of pensionable earnings shared equally between employees and employers until December 31, 2021.

The significant actuarial assumptions used to measure the accrued benefit obligation for the UAPP are as follows:

	2010	2009
Accrued benefit obligation:		
Discount rate	6.90%	6.70%
Average compensation increase	3.50%	3.00%
Benefit cost:		
Discount rate	6.70%	6.70%
Average compensation increase	3.00%	3.00%
Alberta inflation		
(year 1, thereafter;	2.25%	3.70%
years 1-2, thereafter)	2.25%	2.70%
Estimated average		
remaining service life	11.3 years	10.5 years

(thousands of dollars)

Employee Future Benefit Liabilities - continued

B. Administrative Leave Plan

The University's Administrative Leave Plan has no plan assets. The University has provided for this plan by accruing a benefit obligation of $2,733 (2009 - $1,765) in employee future benefit liabilities.

The significant actuarial assumptions adopted in measuring the University's Administrative Leave Plan are as follows:

	2010	2009
Discount rate and rate of return	3.30%	7.70%
Rate of compensation increase		
First year	3.00%	7.00%
Subsequent years	3.00%	5.00%
Average remaining service period of active employees	6	8
Retirement age	62	62

	2010	2009
Financial Operations		
Expenses		
Current service cost	$ 585	$ 565
Interest cost	177	109
Amortization of net actuarial loss (gain)	305	(118)
	$ 1,067	$ 556
Financial Position		
Accrued benefit obligation		
Balance, beginning of year	$ 1,765	$ 1,615
Current service cost	585	565
Interest cost	177	109
Expected benefits paid	(99)	(406)
Actuarial loss (gain)	305	(118)
Balance, end of year	$ 2,733	$ 1,765

(thousands of dollars)

8. Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2010		2009	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 27,615	$ 5,940	$ 29,771	$ 4,545
Grants and donations received	452	13,500	-	5,890
Investment income	152	-	851	-
Recognized as revenue	-	(4,878)	-	(4,421)
Transfers	2,231	(2,231)	74	(74)
Transferred to unamortized deferred capital contributions (note 9)	(11,995)	-	(3,081)	-
Balance, end of the year	$ 18,455	$ 12,331	$ 27,615	$ 5,940

9. Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations spent to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2010	2009
Balance, beginning of the year	$ 12,454	$ 10,206
Additions from deferred capital contributions (note 8)	11,995	3,081
Amortization to revenue	(746)	(833)
Balance, end of the year	$ 23,703	$ 12,454

(thousands of dollars)

10. Endowments

Endowments consist of externally restricted donations received by the University, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors. The primary investment objective is to ensure all funds are prudently invested in accordance with the investment policy, and that investments are selected to match the anticipated cash flow requirements and investment objectives of the University. These goals necessitate incurring generally accepted investment risks through ownership of financial securities.

Under the *Post-secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Governing Council, the encroachment benefits the University and does not impair the long-term value of the fund.

The composition of endowments is as follows:

	2010	2009
Balance, beginning of year	$ 2,029	$ 1,595
Gifts of endowment principal	-	630
Transfer to endowments	-	11
Transfer from unrestricted net assets	(6)	(7)
Awards	(13)	(11)
Investment gain (loss)	336	(189)
Balance, end of year	$ 2,346	$ 2,029
Cumulative contributions	$ 2,069	$ 2,069
Cumulative capitalized income	205	207
Expendable earnings	72	(247)
	$ 2,346	$ 2,029

During the year, cumulative capitalized income of ($2) was transferred from expendable earnings to reflect the effect of inflation (2009 - $51).

(thousands of dollars)

11. Investment in Capital Assets, Internally Restricted

Net assets invested in internally restricted capital assets represent the carrying amount (net book value) of capital assets less unamortized deferred capital contributions.

	2010	2009
Capital assets at net book value (note 6)	$ 34,394	$ 25,526
Less amounts financed by unamortized deferred capital contributions (note 9)	(23,703)	(12,454)
Investment in capital assets, end of year	$ 10,691	$ 13,072

The changes during the year are as follows:

	2010	2009
Investment in capital assets, internally restricted, beginning of year	$ 13,072	$ 11,636
Acquisition of internally funded capital assets	157	3,487
Net book value of internally funded asset disposals	(78)	-
Amortization of investment in capital assets	(2,523)	(2,074)
Net investment in capital assets	(2,444)	1,413
Contributions of assets not subject to amortization	63	23
(Decrease) increase for the year	(2,381)	1,436
Investment in capital assets, internally restricted, end of year	$ 10,691	$ 13,072

(thousands of dollars)

12. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Governing Council for specific purposes. Those amounts are not available for other purposes without the approval of the Governing Council. Internally restricted net assets are summarized as follows:

	Balance at beginning of year	Appropriations and transfers	Additions (disbursements)	Balance at end of year
Appropriation for operating activities				
New program development	$ 189	$ -	$ 722	$ 911
Bridging to retirement	976	(527)	(449)	-
Future student awards	1,552	-	78	1,630
Future claims reserve	631	-	(185)	446
	3,348	(527)	166	2,987
Appropriation for capital activities				
Investment in system development	6,202	(485)	(775)	4,942
Infrastructure	-	1,321	-	1,321
	6,202	836	(775)	6,263
	$ 9,550	$ 309	$ (609)	$ 9,250

13. Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2010	2009
Capital projects	$ 15,816	$ 27,233
Service contracts, information systems and technology, and long term leases	8,571	4,831
	$ 24,387	$ 32,064

(thousands of dollars)

Contractual Obligations – continued

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	2010				
	Capital Projects	Service Contracts	Information Technology	Long-term Leases	Total
2011	$ 15,816	$ 3,702	$ 1,165	$ 1,116	$ 21,799
2012	-	103	587	936	1,626
2013	-	28	396	342	766
2014	-	7	-	-	7
2015	-	2	-	-	2
Thereafter	-	187	-	-	187
	$ 15,816	4,029	2,148	$ 2,394	$ 24,387

The University has contractual commitments of $15,816 for capital construction projects which are anticipated to be expended in 2011. Funding for these projects is primarily provided from capital grants from the Province of Alberta which is included in the total of deferred capital contributions, (Note 8 $18,455).

14. Budget Comparison

The University's 2009-2010 budget was approved by Governing Council as was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009-2013 Business Plan. Certain budget figures from the University's 2009-2013 Business Plan have been reclassified to conform to the presentation adopted in the 2010 financial statements.

15. Investment Income

	2010	2009
Gain (loss) on investments held for endowments	$ 336	$ (189)
Gain (loss) on other investments	4,583	(1,612)
	4,919	(1,801)
Amounts transferred (to) from endowment net assets	(336)	189
Amounts transferred to deferred capital contributions	(152)	(851)
Total investment income (loss) recognized	$ 4,431	$ (2,463)

(thousands of dollars)

16. Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Government of Alberta (GOA) are measured at the exchange amount and are summarized below.

	2010	2009
Grants		
Advanced Education and Technology:		
Operating grants	$ 35,493	$ 33,826
Knowledge Infrastructure Program	7,640	-
Enrolment planning envelope	4,062	3,244
Access to the future fund (matching grants)	1,350	1,200
Infrastructure Maintenance Program	919	919
Research grants	712	7
Capital grants	250	-
Other	38	425
	50,464	39,621
Other GOA departments and agencies grants:		
Alberta Education	330	-
Alberta Innovates - Technology Futures	203	86
Alberta Innovates - Health Solutions	172	-
Finance and Enterprise	125	899
Culture and Community Spirit	40	159
	870	1,144
Total contributions received	51,334	40,765
Less: deferred contributions	(8,279)	(2,228)
Grants from GOA	$ 43,055	$ 38,537
Accounts receivable		
Advanced Education and Technology	$ 3,010	$ 1,920
Other GOA departments and agencies	178	212
	$ 3,188	$ 2,132
Accounts payable		
Advanced Education and Technology	$ 165	$ 223
Other GOA departments and agencies	17	-
	$ 182	$ 223

In addition to the grants listed above, the University received $1,060 (2009 $1,283) from the Ministry of Culture and Community Spirit, included in sales of services and products, for a service agreement to assist with the delivery of a specific program.

(thousands of dollars)

17. Salary and Benefits Disclosure

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2010				2009
	Base Salary [1]	Cash Benefits [2]	Non-cash Benefits [3]	Total	Total
Governing Council [4]					
Chair of Governing Council	$ -	$ -	$ -	$ -	$ -
Governing Council members	-	-	-	-	-
Executive Officers					
President	362	31	136	529	494
Vice-Presidents:					
Academic	237	15	79	331	303
Advancement	226	14	82	322	292
Finance and Administration [5]	183	3	73	259	280
Chief Information Officer	198	11	73	282	274
Associate Vice-Presidents:					
Academic	191	-	83	274	217
Research	191	-	27	218	202

(1) Base salary is pensionable and includes pay for vacation time taken.

(2) Cash benefits include amounts to compensate for the UAPP salary cap, lump sum payments and any other non-pensionable direct cash remuneration.

(3) Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, extended health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long- and short-term disability plans. Non-cash benefits for the President include a taxable benefit for a rent allowance of University House. Non-cash benefits for some of the executive include memberships and the employer's current year expense (current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates) of Administrative Leave Plan.

(4) The chair and the 17 members (2009 – 17) of Governing Council receive no remuneration for participation on the council.

(5) Two individuals held this position during the year.

18. Comparative Figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.

University of Alberta

Financial Statements

March 31, 2010

UNIVERSITY OF ALBERTA

Financial Statements

For the year ended March 31, 2010

Auditor's Report

To the Board of Governors

I have audited the statements of financial position of the University of Alberta as at March 31, 2010 and 2009 and the statements of operations and change in unrestricted net assets, changes in net assets, and cash flow for the years then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principals.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
May 31, 2010

THE UNIVERSITY OF ALBERTA
STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31
(thousands of dollars)

	2010	2009
ASSETS		
Current		
Cash and cash equivalents (note 3)	$ 99,229	$ 119,621
Short-term investments (note 4)	718,415	719,958
Accounts receivable	168,677	117,841
Inventories and prepaid expenses	21,608	17,309
	1,007,929	974,729
Long-term investments (note 4)	877,156	790,326
Capital assets and collections (note 5)	2,309,290	1,970,766
	$ 4,194,375	$ 3,735,821
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 217,385	$ 231,638
Current portion of employee future benefit liabilities (note 6)	8,392	8,199
Current portion of long-term liabilities (note 7)	10,656	10,483
Deferred contributions, research and other (note 8)	315,411	269,444
Deferred revenue	16,897	15,351
	568,741	535,115
Employee future benefit liabilities (note 6)	131,537	99,597
Long-term liabilities (note 7)	179,765	193,852
Deferred contributions, research and other (note 8)	90,000	90,000
Deferred contributions, capital (note 8)	437,617	495,632
Unamortized deferred capital contributions (note 9)	1,662,878	1,329,723
	3,070,538	2,743,919
Net Assets		
Endowments (note 10)	717,495	602,414
Investment in capital assets and collections (note 11)	466,896	450,023
Unrestricted (deficit)	(60,554)	(60,535)
	1,123,837	991,902
	$ 4,194,375	$ 3,735,821

Contingent liabilities and commitments (note 12)

Signed on behalf of the Board of Governors:

Brian Heidecker
Chair, Board of Governors

Indira Samarasekera
President

---------- *The accompanying notes are part of these financial statements.* ----------

THE UNIVERSITY OF ALBERTA
STATEMENT OF OPERATIONS AND CHANGE IN UNRESTRICTED NET ASSETS
YEAR ENDED MARCH 31
(thousands of dollars)

	2010	2009
REVENUE		
Government of Alberta grants (note 15)	$ 733,854	$ 681,089
Federal and other government grants	185,158	174,647
Student tuition and fees	235,799	221,987
Sales of services and products	201,375	200,762
Donations and other grants	112,460	108,215
Investment income (loss) (note 14)	48,991	(42,302)
Amortization of deferred capital contributions (note 9)	89,054	75,514
	1,606,691	1,419,912
EXPENSE		
Salaries	794,643	725,191
Employee benefits	168,189	137,285
Materials, supplies and services	290,201	314,958
Scholarships and bursaries	89,547	81,609
Maintenance and repairs	68,433	64,728
Utilities	38,908	39,129
Amortization of capital assets	143,277	124,598
	1,593,198	1,487,498
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	13,493	(67,586)
NET TRANSFERS (TO) FROM ENDOWMENTS (note 10)	(34)	29,974
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS (note 11)	(13,478)	(31,076)
Change in unrestricted net assets for the year	(19)	(68,688)
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR	(60,535)	8,153
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	$ (60,554)	$ (60,535)

---------- *The accompanying notes are part of these financial statements.* ----------

THE UNIVERSITY OF ALBERTA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections	Unrestricted Net Assets (deficit)
NET ASSETS, March 31, 2008	$ 734,191	$ 407,668	$ 8,153
Deficiency of revenue over expense	-	-	(67,586)
Investment loss (note 14)	(140,959)	-	-
Endowment contributions (note 10)	39,156	-	-
Net transfers (note 10)	(29,974)	-	29,974
Net change in investment in capital assets (note 11)	-	31,076	(31,076)
Contributions of assets not subject to amortization (note 11)	-	11,279	-
NET ASSETS, March 31, 2009	$ 602,414	$ 450,023	$ (60,535)
Excess of revenue over expense	-	-	13,493
Investment income (note 14)	80,029	-	-
Endowment contributions (note 10)	35,018	-	-
Net transfers (note 10)	34	-	(34)
Net change in investment in capital assets (note 11)	-	13,478	(13,478)
Contributions of assets not subject to amortization (note 11)	-	3,395	-
NET ASSETS, March 31, 2010	$ 717,495	$ 466,896	$ (60,554)

----------*The accompanying notes are part of these financial statements*----------

THE UNIVERSITY OF ALBERTA
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31
(thousands of dollars)

	2010	2009
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expense	$ 13,493	$ (67,586)
Add (deduct) non-cash items:		
Amortization of capital assets	143,277	124,598
Amortization of deferred capital contributions	(89,054)	(75,514)
Change in employee future benefit liabilities	32,133	10,809
Change in unrealized (gain) loss on investments	(7,059)	54,256
Total non-cash items	79,297	114,149
Net change in non-cash working capital (*)	(20,332)	(196,413)
	72,458	(149,850)
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Purchases of capital assets and collections, net of proceeds on disposals	(478,407)	(364,948)
Purchases of long-term investments, net of sales	1,146	44,481
Endowment investment loss	(886)	(15,910)
	(478,147)	(336,377)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Endowment contributions	35,018	39,156
Capital contributions	364,193	489,148
Long-term liabilities - new financing, net of repayments	(13,914)	201
	385,297	528,505
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,392)	42,278
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	119,621	77,343
CASH AND CASH EQUIVALENTS, END OF YEAR (note 3)	$ 99,229	$ 119,621

	2010	2009
(*) Net change in non-cash working capital:		
Decrease (increase) in short-term investments	$ 1,543	$ (309,557)
(Increase) decrease in accounts receivable	(50,836)	71,856
Increase in inventories and prepaid expenses	(4,299)	(349)
(Decrease) increase in accounts payable and accrued liabilities	(14,253)	56,467
Increase (decrease) in deferred contributions, research and other	45,967	(11,357)
Increase (decrease) in deferred revenue	1,546	(3,473)
	$ (20,332)	$ (196,413)

----------The accompanying notes are part of these statements---------

1. Authority and purpose

"The Governors of The University of Alberta" is a corporation which manages and operates the University of Alberta ("the University") under the *Post-Secondary Learning Act* (Alberta). All members of the board of governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-Secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of significant accounting policies and reporting practices

(a) General - GAAP and use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and asset-backed commercial paper investments are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Interest in joint ventures

The financial statements use the proportionate consolidation method to record the University's proportionate share of each financial statement component of the following joint ventures:

- Canada School of Energy and Environment (46.2% interest) - a joint venture with two other universities to promote coordination and collaboration in research and education related to the implementation of Alberta's energy and environment strategies.
- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the University for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (14.3% interest) - a joint venture with six other universities to operate a sub-atomic physics research facility.

These joint ventures are not material to the University's financial statements, and therefore, separate condensed financial information is not presented.

(c) Financial instruments

The University's financial assets and liabilities are generally classified and measured as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Other long-term assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term liabilities	Other liabilities	Amortized cost

The calculation of fair value is based upon market conditions at a specific point in time, with the exception of real estate held directly by the University which is not for operational use. The value of investments recorded in the financial statements is determined as follows:

- Short-term investments are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper with a maturity between 91 days and one year and units in a pooled money market fund. These investments are valued based on cost plus accrued income, which approximates fair value. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss.
- Publicly traded securities are valued based on the latest bid prices.
- Investments in pooled funds are valued at their net asset value per unit.
- Real estate directly held by the University which is not for operational use is recorded at cost.
- Infrequently traded securities are based on quoted market yields or prices of comparable securities, as appropriate.

The University's financial instruments are recognized on their trade date and fair values have been recorded for all assets in transit. Transaction costs related to all financial instruments are expensed as incurred.

All derivative financial instruments of the University are classified as held for trading. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation.*

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk and liquidity risk. Each of these risks is managed through the University's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

(d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost.

(e) Capital assets and collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include the portion of library assets with permanent value, museum specimens, archival materials, maps and works of art held for education, research and public exhibition purposes.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings and utilities	10 - 40 years
Equipment and furnishings	3 - 10 years
Learning resources	10 years

(f) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value based on the present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

(g) Revenue recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - when collected.
- Revenues received for services and products - when the services or products are substantially provided and collection is reasonably assured.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.

Deferral method
Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with limited life are first recorded as deferred contributions, capital when received, and when expended, they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

(h) Foreign currency translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these translations are included in investment income.

(i) Employee future benefits

Pension
The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary retirement plans
The University provides non-contributory defined benefit supplementary retirement benefits (SRP) to executives based on years of service and earnings. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University provides non-contributory defined contribution supplementary retirement benefits (SRP) to eligible academic staff members based on years of service and earnings. The expense for this plan is the employer's current year contribution to the plan.

Long-term disability
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Early retirement
The cost of providing accumulating post employment benefits under the University's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

(j) Capital disclosures

The University defines its capital as the amounts included in deferred contributions (note 8), endowment net assets (note 10) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial or Lieutenant Governor in Council approval for a deficit budget, mortgage and debenture borrowing and the sale of any land, other than donated land, that is held by and being used for the purposes of the University.

(k) Contributed services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

(thousands of dollars)

3. Cash and cash equivalents

Cash and cash equivalents have a maximum maturity of 90 days at date of purchase and are as follows:

	2010	2009
Cash	$ 4,596	$ 1,615
Money market funds, short-term notes and treasury bills	94,633	118,006
	$ 99,229	$ 119,621

4. Investments

The composition and fair value of investments are as follows:

	2010	2009
Cash, money market funds, short-term notes and treasury bills	$ 726,579	$ 724,346
Asset-backed commercial paper	89,118	93,098
Canadian government and corporate bonds	252,006	259,477
Canadian equity	126,583	108,309
Foreign equity	376,875	301,915
Pooled hedge funds	23,335	22,061
Annuities	89	92
Real estate	986	986
	$ 1,595,571	$ 1,510,284
Short-term investments	$ 718,415	$ 719,958
Long-term investments	877,156	790,326
	$ 1,595,571	$ 1,510,284

As at March 31, 2010, the average effective yields and the terms to maturity are as follows:

- Money market funds, short-term notes and treasury bills: 0.54% (2009 - 1.73%); term to maturity: less than one year.
- Canadian government and corporate bond funds: 2.75% (2009 - 1.40%) terms to maturity: range from less than one year to more than 10 years.

The University's investments are managed using two pools, the Non-Endowed Investment Pool (NEIP) with investment holdings of $850,118 (2009 - $883,196) and the Unitized Endowment Pool (UEP) with investment holdings of $745,453 (2009 - $627,088). The primary objective for the NEIP is to earn a rate of return that exceeds the DEX 91 day T-Bill return with an emphasis on liquidity and the preservation of capital. The primary objective for the UEP is to earn a long-term rate of return that, in real terms, exceeds total endowment spending at an acceptable level of risk. The UEP also includes non-endowed assets that will not be required for spending in the next five years.

Derivative financial instruments are used to manage certain market and currency exposures primarily with respect to the University's investments. The University uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. The University has contracts outstanding held in US dollars, Euro, Japanese yen and the British pound among others. The fair value of net outstanding foreign currency forward contracts receivable is $7,510 (2009 - $505).

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the University's investments. The Investment Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policies and to evaluate the continued appropriateness of the University's investment policies.

(thousands of dollars)

Asset-backed commercial paper

The University holds $138,602 (2009 - $156,553) in "New Restructured Notes" that were received on January 21, 2009 in exchange for asset-backed commercial paper (ABCP) formerly held by the University. The ABCP had been restructured under the restructuring agreement of the Pan-Canadian Investments Committee (known as the Montreal Accord). Certain notes, classified as Other ABCP, were not part of the Montreal Accord and were restructured directly with the sponsors or remain subject to ongoing legal proceedings.

The composition and fair value of the ABCP investments are as follows:

	2009		2010			
Note type	Estimated fair value	Cost	Note cancellations	Redemptions	Cost	Estimated fair value
Traditional assets(1)	$ 16,197	$ 17,640	$ -	$ (13,337)	$ 4,303	$ 3,743
Synthetic assets(2)	67,168	117,763	-	(188)	117,575	75,570
IA tracking notes(3)	4,263	21,150	(2,578)	(1,848)	16,724	3,752
	87,628	156,553	(2,578)	(15,373)	138,602	83,065
Other ABCP(4)	5,470	8,660	-	-	8,660	6,053
Total	$ 93,098	$ 165,213	$ (2,578)	$ (15,373)	$ 147,262	$ 89,118

(1) *Primarily rated as AA+ or higher by DBRS, with a yield based upon the income generated by the underlying assets. Anticipated yield is Bankers Acceptance (BA) plus 0.40%. Scheduled repayment dates are between 4 and 6 years with legal maturity dates between 12 and 26 years.*

(2) *Primarily rated as A and BBB (low) by DBRS, with a yield of BA minus 0.50%. Scheduled repayment date is January 2017 with a legal maturity date of July 2056.*

(3) *No stated amount, interest paid will be based on income generated by underlying assets. Scheduled repayment and legal maturity dates are between 3 and 30 years.*

(4) *Stated yield ranges from BA to Canadian Deposit Offering Rate plus 0.33%. Scheduled repayment and legal maturity dates are between 4 and 7 years.*

Valuation

ABCP restructured under the Montreal Accord:

In the absence of a well-functioning market for third-party ABCP subject to the Montreal Accord, the University has estimated the fair value of these investments as at March 31, 2010 using a discounted cash flow valuation model. This model incorporates administration's best estimates of multiple factors, updated to reflect market-related and other additional information.

The valuation also involves assumptions regarding the difference between the yield the University expects to earn from the restructured floating rate notes and the appropriate market-discount attributable to such investments. The estimated investment yields were determined based on available information. The estimated market-discount rates for the floating rate notes were determined by reference to market rates for other investments and appropriate forward-credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured floating rate notes together with the leveraged nature of the underlying assets and were adjusted for subordination where appropriate. The shortfall between the expected yield and the estimated discount rate for notes in the synthetic assets ranges from 562 basis to 862 basis points. An increase of 100 basis points in the estimated discount rate would decrease the fair value by approximately $9,000.

Other ABCP:

In the absence of an active market for these investments, the University has estimated their fair value as at March 31, 2010, using a discounted cash flow valuation model similar to the approach used for the ABCP restructured under the Montreal Accord.

Measurement uncertainty

Since the eventual timing and amount of future cash flows attributable to these assets may vary significantly from administration's current best estimates, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to the financial results.

(thousands of dollars)

5. Capital assets and collections

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings and utilities	$ 2,476,454	$ 748,376	$ 1,728,078	$ 2,094,047	$ 702,133	$ 1,391,914
Equipment and furnishings	984,646	653,704	330,942	918,945	585,497	333,448
Learning resources	278,328	182,020	96,308	258,252	162,691	95,561
Land	53,296	-	53,296	53,296	-	53,296
Library permanent collections	35,490	-	35,490	34,650	-	34,650
Other permanent collections	65,176	-	65,176	61,897	-	61,897
	$ 3,893,390	$ 1,584,100	$ 2,309,290	$ 3,421,087	$ 1,450,321	$ 1,970,766

Included in buildings and utilities is $657,974 (2009 - $308,316) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions include in-kind contributions (such as learning resources, equipment, software, buildings and land) in the amount of $12,081 (2009 - $38,417).

(thousands of dollars)

6. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2010			2009		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total [1]
UAPP	$ 81,004	$ -	$ 81,004	$ 54,090	$ -	$ 54,090
Long-term disability	7,253	21,825	29,078	7,260	20,920	28,180
Early retirement	540	23,517	24,057	835	22,028	22,863
SRP (defined benefit)	3,350	-	3,350	2,663	-	2,663
SRP (defined contribution)	2,440	-	2,440	-	-	-
Total	94,587	45,342	139,929	64,848	42,948	107,796
Less current portion	2,598	5,794	8,392	2,628	5,571	8,199
Long-term portion	$ 91,989	$ 39,548	$ 131,537	$ 62,220	$ 37,377	$ 99,597

[1] Vacation pay has been reclassified from employee future benefits to accounts payable and accrued liabilities to conform to the presentation adopted in the 2010 financial statements.

(a) Defined benefit

Multi-employer pension plans

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. At December 31, 2009, the UAPP reported an actuarial deficiency of $971,000 (2008 - $1,055,471) consisting of a pre-1992 deficiency ($665,980) and a post-1991 deficiency ($305,020). An actuarial valuation of the UAPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. A further extrapolation to March 31, 2010 has resulted in a decrease of the UAPP deficiency to $924,067 (2009 - $1,299,860) consisting of a pre-1992 deficiency ($646,208) and a post-1991 deficiency ($277,859).

The University's portion of the UAPP deficiency has been allocated based on its percentage of the plan's total employer contributions for the year.

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the PSPP reported an actuarial deficiency of $1,729,196 (2008 - $1,187,538). An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The pension expense recorded in these financial statements is $18,294 (2008 - $15,861).

Long-term disability and early retirement

The University provides long-term disability (academic and support staff) and early retirement (support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010.

The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date.

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allows eligible employees who retire early, to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees one week's base pay per full year of employment to a maximum 25 days pay. The early retirement benefit for academic staff was for bridge benefits and was terminated in 2004. Participants already receiving these benefits, when the benefit was terminated, will continue to receive bridge benefits under the original terms.

(thousands of dollars)

Supplementary retirement plans (SRP)
The University provides non-contributory defined benefit supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at March 31, 2010.

The expense and financial position of these defined benefit plans are as follows:

	2010				2009			
	UAPP [1]	Long-term disability [2]	Early retirement [2]	SRP	UAPP [1]	Long-term disability [2]	Early retirement [2]	SRP
Expense								
Current service cost	$ 31,005	$ 6,159	$ 1,323	$ 516	$ 27,600	$ 4,144	$ 1,278	$ 573
Interest cost	17,527	1,528	1,474	212	8,340	1,174	1,261	135
Amortization of net actuarial (gain) loss	17,343	(1,495)	11	(81)	6,180	(1,597)	170	-
Amortization of past service cost	-	-	-	41	-	-	-	-
Total expense	$ 65,875	$ 6,192	$ 2,808	$ 688	$ 42,120	$ 3,721	$ 2,709	$ 708
Financial Position								
Accrued benefit obligation:								
Balance, beginning of year	$ 667,510	$ 20,934	$ 23,074	$ 2,054	$ 594,790	$ 21,776	$ 24,888	$ 1,891
Current service cost	31,005	6,159	1,323	516	27,600	4,144	1,278	573
Interest cost	45,775	1,528	1,474	212	40,780	1,174	1,261	135
Recognition of past service	-	-	-	434	-	-	-	-
Benefits paid	(30,389)	(5,294)	(1,614)	-	(27,330)	(4,888)	(1,884)	-
Actuarial (gain) loss	(93,876)	1,224	(2,733)	317	31,670	(1,272)	(2,469)	(545)
Balance, end of year	620,025	24,551	21,524	3,533	667,510	20,934	23,074	2,054
Plan assets	(467,820)	-	-	-	(417,440)	-	-	-
Funded status - plan deficit	152,205	24,551	21,524	3,533	250,070	20,934	23,074	2,054
Unamortized net actuarial gain (loss)	(71,201)	4,527	2,533	(183)	(195,980)	7,246	(211)	609
Accrued benefit liability	$ 81,004	$ 29,078	$ 24,057	$ 3,350	$ 54,090	$ 28,180	$ 22,863	$ 2,663

Plan assets:
[1] UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2008 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2008 – 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2008 of the Province of Alberta's obligation for the future additional contributions was $270,200. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.08% (2008 – 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021.

[2] Long-term disability and early retirement - the University plans to use its working capital to finance these future obligations.

(thousands of dollars)

The significant actuarial assumptions used to measure the accrued benefit obligations are as follows:

	2010				2009			
	UAPP	Long-term disability	Early retirement	SRP	UAPP	Long-term disability	Early retirement	SRP
Accrued benefit obligation:								
Discount rate	6.90%	5.70%	5.70%	6.80%	6.70%	6.25%	6.25%	7.40%
Long-term average compensation increase	3.50%	n/a	3.00%	3.00%	3.00%	n/a	3.00%	3.00%
Benefit cost:								
Discount rate	6.70%	5.70%	5.70%	6.60%	6.70%	5.00%	5.00%	5.50%
Long-term average compensation increase	3.00%	n/a	3.00%	3.00%	3.00%	n/a	3.00%	3.00%
Alberta inflation (long term)	2.25%	3.00%	3.00%	n/a[1]	2.70%	3.00%	3.00%	n/a[1]
Estimated average remaining service life	11.3	5	12	n/a[2]	10.5	5	12	n/a[2]

[1] Lump-sum payments upon retirement are based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries, and as such those assumptions are not set by the University.

[2] Actuarial gains and losses and past service costs are amortized over the remaining contract terms of the participants.

(b) Defined contribution

Supplementary retirement plan (SRP)

In 2010, the University introduced a non-contributory defined contribution supplementary retirement plan to provide benefits to eligible academic staff members. The expense recorded in these statements is $2,440.

(thousands of dollars)

7. Long-term liabilities

	Collateral	Maturity date	Fixed interest rate %	Amount outstanding 2010	Amount outstanding 2009
Mortgages payable to Canada Mortgage and Housing Corporation (CMHC):					
Lister Residences	(1)	July 2014	5.125	$ -	$ 828
Michener Park Phase I	(1)	April 2018	5.875	-	1,948
MacKenzie Hall	(1)	November 2018	6.250	-	1,064
Debentures payable to Alberta Capital Finance Authority:					
Health Research Innovation Facility	(3)	June 2011	5.030	1,000	1,000
Enterprise Square	(1)	October 2011	4.162	2,549	3,747
Natural Resources Engineering Facility	(2)	June 2014	4.974	8,176	9,760
Energy Management Program, Year 1	(3)	September 2014	4.551	1,771	2,118
Energy Management Program, Year 2	(3)	March 2016	4.525	2,562	2,926
Natural Resources Engineering Facility	(2)	June 2017	5.056	6,358	7,039
Health Research Innovation Facility	(3)	June 2017	5.053	12,953	14,342
Extension Centre	(3)	October 2017	8.750	1,778	1,928
Energy Management Program, Year 3	(3)	December 2017	4.493	2,919	3,216
Energy Management Program, Year 4	(3)	March 2019	3.718	3,205	3,500
Steam Turbine Generator	(2)	May 2020	6.250	11,744	12,472
Newton Place	(1)	August 2024	6.000	12,137	12,629
Newton Place Renovation	(1)	August 2024	6.000	2,099	2,184
Lister Residence II	(1)	November 2027	5.875	18,323	18,889
Windsor Car Park	(2)	September 2028	6.000	6,023	6,191
Saville Centre	(2)	December 2028	5.875	3,963	4,075
East Campus Village	(1)	March 2029	4.960	8,149	8,403
Centennial Centre for Interdisciplinary Science Phase I	(3)	September 2029	5.353	8,772	9,023
Centennial Centre for Interdisciplinary Science Phase I	(3)	June 2030	4.518	1,926	1,982
Health Research Innovation Facility	(3)	June 2032	5.191	5,400	5,525
Killam Centre	(3)	September 2036	4.810	1,968	2,005
Enterprise Square	(1)	September 2036	4.627	40,500	41,267
Jubilee Carpark	(2)	December 2047	4.814	15,855	16,000
				180,130	194,061
Liabilities under capital leases				163	210
Other long-term liabilities (includes asset retirements and liabilities for site restoration)				10,128	10,064
				190,421	204,335
Less current portion				10,656	10,483
				$ 179,765	$ 193,852

(1) title to land, building; (2) cash flows from facility; (3) none

The principal portion of long-term debt repayments required over the next five years is as follows:
2011 - $10,862; 2012 - $12,409; 2013 - $10,629; 2014 - $11,120; 2015 - $10,423

Interest expense on long-term liabilities is $11,177 (2009 - $10,604) and is included in materials, supplies and services.

The weighted average interest rate is 5.204% (2009 - 5.209%).

The University has recorded a liability for an asset retirement obligation of $1,128 (2009 - $1,064). The asset retirement obligation represents the legal obligation associated with the eventual decommissioning of a research reactor.

(thousands of dollars)

8. Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2010		2009	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 495,632	$ 359,444	$ 290,074	$ 370,801
Grants and donations received	321,269	483,314	418,882	480,464
Recognized as revenue	-	(397,169)	-	(424,180)
Transferred to unamortized deferred capital contributions (note 9)	(379,284)	(40,178)	(213,324)	(67,641)
Balance, end of the year	437,617	405,411	495,632	359,444
Less amounts included in current liabilities	-	315,411	-	269,444
	$ 437,617	$ 90,000	$ 495,632	$ 90,000

9. Unamortized deferred capital contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2010	2009
Balance, beginning of the year	$ 1,329,723	$ 1,121,647
Additions from deferred contributions - capital (note 8)	379,284	213,324
Additions from deferred contributions - research and other (note 8)	40,178	67,641
Long-term liabilities - repayment	2,747	2,625
Amortization to revenue	(89,054)	(75,514)
Balance, end of the year	$ 1,662,878	$ 1,329,723

(thousands of dollars)

10. Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors; the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

The composition of endowments is as follows:

	2010	2009
Balance, beginning of year	$ 602,414	$ 734,191
Gifts of endowment principal	35,018	39,156
Transfers to endowments	131	7,943
Transfers from endowments	(97)	(37,917)
Investment income (loss)	80,029	(140,959)
Balance, end of year	$ 717,495	$ 602,414
Cumulative contributions	$ 530,715	$ 495,663
Cumulative capitalized income	186,780	106,751
	$ 717,495	$ 602,414

During the year, the University capitalized $80,029 of investment income. A portion of this amount was added to endowments through the authority provided to the University under the *Post-Secondary Learning Act*. The University intends that this portion be maintained in perpetuity. During the 2009 year, cumulative capitalized income of $178,735 was required to cover the investment loss on endowments of $140,959, the approved endowment spending allocation of $31,389 and the transfer to unrestricted net assets to repay the 2008 spending allocation and investment loss on the internally restricted endowments of $6,387.

The Board of Governors approved the permanent endowment of certain unrestricted funds and transferred $131 (2009 - $7,943) from unrestricted net assets to endowments. In accordance with the terms and conditions of specific endowments, $97 was decapitalized for spending purposes (2009 - $141).

Gifts of endowment principal include matching grant funds of $5,000 (2009 - $5,000) from the Province of Alberta's Access to the Future Fund.

(thousands of dollars)

11. Investment in capital assets and collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2010	2009
Capital assets and collections at net book value (note 5)	$ 2,309,290	$ 1,970,766
Less amounts financed by:		
Unamortized deferred capital contributions (note 9)	(1,662,878)	(1,329,723)
Long-term liabilities related to capital expenditures	(179,516)	(191,020)
Investment in capital assets and collections, end of year	$ 466,896	$ 450,023

	2010	2009
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 450,023	$ 407,668
Acquisition of capital assets and collections	59,277	86,037
Long-term liabilities - repayment	11,437	7,445
Long-term liabilities - new financing	(2,680)	(12,586)
Net book value of asset disposals	(333)	(736)
Amortization of investment in capital assets	(54,223)	(49,084)
Net change in investment in capital assets	13,478	31,076
Contributions of assets not subject to amortization	3,395	11,279
Increase for the year	16,873	42,355
Investment in capital assets and collections, end of year	$ 466,896	$ 450,023

12. Contingent liabilities and commitments

(a) The University is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for recording an accrued liability under GAAP.

(b) The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2009 CURIE had a surplus of $32,032 (2008 - $17,748). This surplus is an accumulation of five different underwriting periods. The University participates in four of the underwriting periods, which have an accumulated surplus of $28,647 (2008 - $13,771) of which the University's pro rata share is approximately 6.78% (2008 – 6.66%). This surplus is not recorded in the financial statements.

(c) At March 31, 2010 the University has contractual commitments for capital projects greater than $1 million of approximately $358,000 (2009 – approximately $629,000).

(d) Effective July 1, 2005 the University renewed their agreement for information technology support with an external party. The cost of $1,506 over the remaining 3 months provides for manager application support services.

(e) During the year, the University entered into agreements with two external parties for information technology support. The agreement for infrastructure management services has a five year term (effective July 1, 2010) with a total cost of $12,630. The agreement for application management services has a three year term (effective July 1, 2010) with a total cost of $6,522.

(f) In order to manage its exposure to the volatility in the electrical industry, the University has entered into contracts to fix a portion of its electrical cost at an average of $64.85 (2009 - $67.10) per megawatt hour. The five contracts (2009 - four contracts) with expenditures totaling $137,614 (2009 - $120,101) expire on December (2010, 2012, 2013, 2015, 2016).

(g) The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.

(h) The University has invested in a partnership agreement with iNovia Investment Fund II-B, Limited Partnership, which invests in the technology, energy, life sciences and applied sciences sectors. The partnership will continue until April 17, 2017, extendable for up to three additional years. The University subscribed to five million partnership units at a price of $1.00 per unit of which the University has purchased 1,750,000 units. The remaining commitment of $3,250 (2009 - $4,000) is due at such times and in such amounts as the General Partner may determine.

(i) The Board of Governors has approved a $25,000, 30 year debenture with an interest rate of 4.886% for the East Campus Village Graduate Student Housing project, which will be drawn on September 15, 2010.

(thousands of dollars)

13. Budget comparison

The University's 2009-10 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009-2010 Business Plan.

	Actual	Budget (unaudited)	Variance
Revenue			
Government	$ 919,012	$ 875,209	$ 43,803
Student tuition and fees	235,799	231,141	4,658
Sales of services and products	201,375	180,806	20,569
Grants, donations and investment income	161,451	112,678	48,773
Amortization of deferred capital contributions	89,054	66,233	22,821
	1,606,691	1,466,067	140,624
Expense			
Salaries	794,643	740,684	53,959
Employee benefits	168,189	138,483	29,706
Materials, supplies, services and other expenses	487,089	467,303	19,786
Amortization of capital assets	143,277	118,569	24,708
	1,593,198	1,465,039	128,159
Excess of revenue over expense	$ 13,493	$ 1,028	$ 12,465

14. Investment income (loss)

	2010	2009
Income (loss) on investments held for endowment	$ 134,213	$ (140,959)
Income on other investments	9,130	3,230
Asset-backed commercial paper recovery (write-down)	13,966	(31,114)
	157,309	(168,843)
Amounts deferred	(28,289)	(14,418)
Endowment income capitalized (Note 10)	(80,029)	-
Loss charged to endowment net assets (note 10)	-	140,959
	$ 48,991	$ (42,302)

(thousands of dollars)

15. Related party transactions and balances

The University operates under the authority and statutes of the Province of Alberta. Transactions and balances between the University and the Government of Alberta (GOA) are measured at the exchange amount and summarized below.

	2010	2009
Revenue from GOA		
Advanced Education and Technology grants:		
Operating grant	$ 518,146	$ 484,774
Enrolment planning envelope grants	61,842	53,865
Capital grants	313,180	396,430
Alberta Ingenuity Fund	-	20,556
Alberta Innovates Bio Solutions	2,615	-
Alberta Innovates Energy and Environment	2,263	-
Alberta Innovates Health Solutions	34,707	-
Alberta Innovates Technology Futures	24,670	-
Other research grants	21,903	25,819
Other grants	5,637	16,117
Total Advanced Education and Technology	984,963	997,561
Other GOA departments and agencies grants:		
Alberta Education	5,957	627
Alberta Environment	6,614	3,063
Alberta Health and Wellness	59,102	49,468
Alberta Health Services	12,687	6,275
Alberta Heritage Foundation for Medical Research	-	31,636
Alberta Infrastructure	28	9,614
Alberta Lottery Fund	5,120	295
Other grants	12,044	16,027
Total other GOA departments and agencies	101,552	117,005
Total contributions received	1,086,515	1,114,566
Amounts deferred	(352,661)	(433,477)
	$ 733,854	$ 681,089
Accounts receivable:		
Advanced Education and Technology	$ 24,923	$ 29,544
Other GOA departments and agencies	11,742	2,325
	$ 36,665	$ 31,869
Accounts payable:		
Advanced Education and Technology	$ 746	$ 2,987
Other GOA departments and agencies	1,154	9,574
	$ 1,900	$ 12,561

The Province of Alberta's Access to the Future Fund has provided $5,000 (2009 - $5,000) in matching grant funds, which is included in endowments. The University has long-term liabilities with Alberta Capital Finance Authority as described in note 7.

Due to the GOA reorganization in April 2009, the table above shows the new departments and agencies in 2010, as compared to the previous organizational structure. The categorization reflects the entities from which the University received its funding.

(thousands of dollars)

16. Salary and employee benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2010				Restated 2009
	Base salary [3]	Non-cash benefits [4]	Non-cash benefits (SRP) [5]	Total	Total
Governance [1]					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	479	222	235	936	753
Vice-Presidents:					
Provost and Vice-President Academic	461	32	105	598	619
Vice-President Research	431	82	74	587	598
Vice-President Facilities and Operations	414	58	79	551	565
Vice-President Finance and Administration	414	47	77	538	543
Vice-President External Relations [2]	237	29	20	286	457

[1] The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.

[2] Two individuals held this position in the current year, and the position was vacant for approximately two months. An Interim Vice-President was appointed on September 2009.

[3] Base salary includes pensionable base pay, and also includes an administrative honorarium for the Provost and Vice-President Academic.

[4] Non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long-term disability plans and dental plan. Benefits for some of the executive also include professional leave, car allowance, parking, supplemental life insurance and interest free or forgivable housing loans. Additional non-cash benefits for the President include administrative leave, legal fees (related to advice to the President with respect to a new employment contract) and utility costs (related to the personal use portion of the house).

On July 1, 2009 the University purchased the President's house at a price equal to fair market value (independently appraised at $930) and has entered into a lease for the personal use space of this house with the President at fair market value (independently assessed). Included in non-cash benefits is a pro rata amount related to the utilities paid by the University for this space. For the period prior to July 1, 2009, in recognition that the University used a portion of the President's home for various University functions, the University continued to pay for certain costs for the general operation of the house determined in accordance with a contractual arrangement entered into by the President and the University. Included in non-cash benefits is the personal use portion (46%) of these costs.

On July 1, 2009, the President entered into a new employment contract with the University. Under the terms of the new contract, the value of the President's cumulative supplemental retirement plan benefit (SRP) has been increased from 2% to 5% of final base salary multiplied by years of service at the University of Alberta. A portion of this additional cost is reflected in non-cash benefits in the current year and the remaining portion is deferred and will be amortized over the contract term (per footnote [5]). Also, under the terms of the new contract, the administrative leave accrual proration was changed. Under the previous contract the accrual of the one year leave was pro rated over the fourth and fifth years of the contract. Under the new contract the accrual of that same year leave is pro rated equally over each of the first five years of service. In 2010 the administrative leave accrual included in non-cash benefits is $97 (2009 - $97 restated). The total administrative leave accrued as at March 31, 2010 is $460 which represents one year of administrative leave based on approximately five years of service.

[5] Under the terms of the SRP, the executive may receive supplementary retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide supplementary retirement benefits. The SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump-sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining contract terms of the participants. Current service cost is the actuarial present value of the benefits earned in the current year. Prior service and other costs include amortization of past service costs, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

(thousands of dollars)

The current service cost and accrued obligation for each executive under the SRP is outlined in the following table:

	2010					2009	
	Years of University of Alberta service	Current service cost	Prior service and other costs	Net cost	Accrued obligation[5a]	Net cost	Accrued obligation
President	4.8	$ 152	$ 83	$ 235	$ 981	$ 120	$ 263
Vice-Presidents:							
Provost and Vice-President Academic	6.8	82	23	105	660	139	473
Vice-President Research	2.8	65	9	74	211	83	115
Vice-President Facilities and Operations	7.2	64	15	79	436	90	305
Vice-President Finance and Administration	7.9	62	15	77	420	86	296
Vice-President External Relations	3.0	14	6	20	189	65	149

[5a] The accrued obligation is based on University of Alberta years of service and other factors such as age, salary and actuarial assumptions.

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in note 6.

17. Comparative figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.

UNIVERSITY OF CALGARY

Financial Statements

For the Year Ended
March 31, 2010

UNIVERSITY OF CALGARY

Financial Statements

For the year ended March 31, 2010

Auditor's Report

To the Board of Governors of the University of Calgary

I have audited the statements of financial position of the University of Calgary as at March 31, 2010 and 2009 and the statements of revenue and expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
June 3, 2010

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2010
(thousands of dollars)

UNIVERSITY OF CALGARY

	2010	2009 restated, note 3
ASSETS		
Current Assets		
Cash and cash equivalents (note 4)	$ 576,062	$ 456,643
Short-term investments (note 5)	190,331	119,467
Accounts receivable	63,379	60,899
Inventories and prepaid expenses	19,916	17,557
	849,688	654,566
Long-term investments (note 5)	449,242	354,454
Other long-term assets (note 6)	22,604	25,763
Capital assets and collections (note 7)	1,209,195	969,846
	2,530,729	2,004,629
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	166,550	89,691
Current portion of long-term liabilities (note 9)	3,951	22,124
Deferred contributions, research and other (note 10)	391,665	327,125
Deferred revenue	20,238	18,518
	582,404	457,458
Employee future benefit liabilities (note 8)	63,691	43,720
Long-term liabilities (note 9)	110,186	48,550
Deferred capital contributions (note 10)	162,059	185,458
Unamortized deferred capital contributions (note 11)	902,374	708,170
	1,820,714	1,443,356
Net Assets		
Endowments (note 12)	441,658	340,103
Investment in capital assets and collections (note 13)	194,471	200,144
Internally restricted (note 14)	84,468	78,624
Unrestricted (deficit)	(10,582)	(57,598)
	710,015	561,273
	$ 2,530,729	$ 2,004,629

Contingent liabilities and contractual obligations (note 15 and note 16)

Signed on behalf of the Board of Governors:

Chair, Board of Governors

Jonathan Hebert
Vice-President (Finance & Services)

The accompanying notes are part of these financial statements.

UNIVERSITY OF CALGARY

STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2010
(thousands of dollars)

	2010	2009 restated, note 3
REVENUE		
Government of Alberta grants	$ 499,583	$ 455,989
Federal and other government grants	114,821	108,381
Sales of services and products	94,967	90,949
Student tuition and fees	169,720	157,166
Donations and other grants	71,456	82,929
Investment income (note 18)	31,510	7,036
Amortization of deferred capital contributions (note 11)	52,073	51,751
	1,034,130	954,201
EXPENSE		
Salaries	502,482	479,030
Employee benefits	101,957	87,596
Materials, supplies and services	182,095	180,727
Utilities	28,214	32,039
Maintenance and repairs	14,160	14,054
Scholarships, bursaries and awards	61,061	55,572
Cost of goods sold	15,471	15,833
Amortization of capital assets	80,681	80,668
	986,121	945,519
EXCESS OF REVENUE OVER EXPENSE	48,009	8,682
NET TRANSFER (TO) FROM ENDOWMENTS (note 12)	(1,208)	19,221
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS (note 13)	6,059	9,333
NET CHANGE IN INTERNALLY RESTRICTED NET ASSETS	(5,844)	(51,420)
CHANGE IN UNRESTRICTED NET ASSETS FOR THE YEAR	47,016	(14,184)
UNRESTRICTED NET ASSETS (DEFICIT), Beginning of year	(57,598)	(43,414)
UNRESTRICTED NET ASSETS (DEFICIT), End of year	$ (10,582)	$ (57,598)

The accompanying notes are part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2010
(thousands of dollars)

UNIVERSITY OF CALGARY

	Endowments	Investment in Capital Assets	Internally Restricted	Unrestricted
NET ASSETS (DEFICIENCY), March 31, 2008	$ 425,578	$ 209,373	$ 27,204	$ (43,414)
Excess of revenue over expense	-	-	-	8,682
Investment loss (note 18)	(87,110)	-	-	-
Endowment contributions (note 12)	20,856	-	-	-
Transfers	(19,221)	-	-	19,221
Net change in investment in capital assets (note 13)	-	(9,333)	-	9,333
Contributions of assets not subject to amortization (note 13)	-	104	-	-
Net expenditures and transfers of internally restricted net assets	-	-	51,420	(51,420)
NET ASSETS (DEFICIENCY), March 31, 2009 - restated note 3	$ 340,103	$ 200,144	$ 78,624	$ (57,598)
Excess of revenue over expense	-	-	-	48,009
Investment income (note 18)	57,944	-	-	-
Endowment contributions (note 12)	42,403	-	-	-
Transfers	1,208	-	-	(1,208)
Net change in investment in capital assets (note 13)	-	(6,059)	-	6,059
Contributions of assets not subject to amortization (note 13)	-	386	-	-
Net expenditures and transfers of internally restricted net assets	-	-	5,844	(5,844)
NET ASSETS (DEFICIENCY), March 31, 2010	$ 441,658	$ 194,471	$ 84,468	$ (10,582)

The accompanying notes are part of these financial statements.

UNIVERSITY OF CALGARY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010
(thousands of dollars)

		2010		2009 restated, note 3
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES				
Excess of revenue over expense	$	48,009	$	8,682
Add (deduct) non-cash items:				
Amortization of capital assets		80,681		80,668
Amortization of deferred capital contributions		(52,073)		(51,751)
Change in employee future benefit liabilities		19,971		9,744
Change in unrealized (gain) loss on investments		(21,060)		11,934
Total non-cash items		27,519		50,595
Net change in non-cash working capital (*)		67,416		62,712
		142,944		121,989
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES				
Purchase of capital assets and collections, net of disposals		(319,644)		(217,342)
Purchases of long-term investments, net of sales		(23,895)		(5,803)
Proceeds from other long-term assets		3,159		430
Endowment investment earnings realized		8,112		8,115
		(332,268)		(214,600)
CASH PROVIDED FROM FINANCING ACTIVITIES				
Endowment contributions		42,403		20,856
Capital contributions		222,877		237,448
Long-term liabilities - new financing, net of repayments		43,463		30,592
		308,743		288,896
INCREASE IN CASH AND CASH EQUIVALENTS		119,419		196,285
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		456,643		260,358
CASH AND CASH EQUIVALENTS, END OF YEAR (note 4)	$	576,062	$	456,643

(*) **Net change in non-cash working capital:**		2010		2009 restated, note 3
(Increase) in short-term investments	$	(70,864)	$	(23,993)
(Increase) decrease in accounts receivable		(2,480)		37,266
(Increase) in inventories and prepaid expenses		(2,359)		(5,372)
Increase in accounts payable and accrued liabilities		76,859		18,207
Increase in deferred contributions, research and other		64,540		38,483
Increase (decrease) in deferred revenue		1,720		(1,879)
	$	67,416	$	62,712

The accompanying notes are part of these financial statements.

1. Authority and Purpose

The Governors of The University of Calgary ("the University") is a corporation which manages and operates the University of Calgary ("the University") under the *Post-secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the Chancellor and President, who are ex officio members. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax. This tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

2. Summary of Significant Accounting Policies and Reporting Practices

a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and floating rate notes investments are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) Investment in Subsidiaries and Joint Venture

The financial statements include the accounts of the following entities using the equity method of accounting:

- the combined results of University Technologies Group
  - University Technologies International Inc. (UTI),
  - University Technologies International Limited Partnership (UTI LP), a limited partnership held in trust by the University, and
  - UTI LP's wholly owned subsidiaries,
- the accounts of The Arctic Institute of North America (AINA), a non-profit organization controlled by the University.

UTI LP operates to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

The financial statements use the equity method to record the University's proportionate share of the following joint venture:

Canada School of Energy and Environment (46.2% interest) – a joint venture with two other universities to promote coordination and collaboration in research and education related to the implementation of Alberta's energy and environment strategies.

These investments are recorded as other long-term assets (Note 6).

Summary of Significant Accounting Policies and Reporting Practices (Continued)

c) Financial Instruments

The University's financial assets and liabilities are generally classified and measured as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for Trading	Fair Value
Investments	Held for Trading	Fair Value
Accounts receivable	Loans and Receivables	Cost
Other Long-term assets	Loans and Receivables	Amortized cost
Accounts payable	Other liabilities	Cost
Long-term liabilities	Other liabilities	Amortized cost

The University's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date. For securities where market quotes are not available, estimation techniques are used to determine fair value. Estimation techniques used include discounted cash flows, internal models that utilize observable market data or comparisons with other securities that are substantially the same.

All derivative financial instruments of the University are classified as held for trading. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation.*

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk and liquidity risk. Each of these risks is managed through the University's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost or net replacement cost.

e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include library assets with permanent value, museum specimens, archival materials, maps and works of art held for education, research and public exhibition purposes.

Construction in progress includes the costs directly attributable to the construction including engineering, legal fees and interest on specific debt attributed to the construction of capital assets.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings, utilities and site improvements	20 - 40 years
Furniture, equipment and systems	3 – 10 years
Learning resources	10 years

Summary of Significant Accounting Policies and Reporting Practices (Continued)

f) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Operating grants - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.
- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - when collected.
- Revenues received for services and products - when the services or products are substantially provided.
- Tuition fees - when the instruction is delivered.
- Donation of materials and services – are recorded at fair value when a fair value can be reasonably determined and when materials and services would otherwise have been purchased.
- Restricted contributions - based on the deferral method.

Deferral method
Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contributions are met.

Contributions to acquire capital assets with limited life are first recorded as deferred capital contributions, when received, and when expended, they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

Contributions restricted for the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

g) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average daily exchange rates. Gains or losses from these translations are included in investment income.

h) Employee Future Benefits

Pension
The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. These contributions are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Summary of Significant Accounting Policies and Reporting Practices (Continued)

Supplementary retirement plans
The pension expense for defined benefit supplementary retirement plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses in excess of 10% of the accrued benefit obligation are amortized over the expected service lifetime for each plan participant.

i) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (note 10), endowment net assets (note 12) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by The Ministry of Advanced Education and Technology. The University has investment policies (note 5), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-secondary Learning Act*, the University must receive ministerial approval for a deficit budget, borrowing and the sale of any land or buildings.

j) Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

3. Changes in Accounting Policies

During the year, the University of Calgary changed its accounting policy with respect to consolidation of its controlled subsidiaries. As permitted by Not For Profit accounting standards under CICA 4450, the University now records the interest in its controlled subsidiaries on an equity basis without a line by line consolidation of the subsidiaries' accounts. The University also changed its accounting policy with respect to accounting for its internal endowments. As a result of the change, internal and external endowments share the same accounting treatment, where endowment investment income (loss) is a direct increase (decrease) to endowment net assets. This change removes endowment investment earnings from the statement of revenue and expense, providing more relevant information about the University's financial performance.

These changes have been applied retroactively with restatement of comparative numbers. The impact of the change in policies on the prior year financial statements is as follows:

(thousands of dollars)

Changes in Accounting Policies (Continued)

	2009			
	As previously recorded	Adjustment recorded - Change in policy from Consolidated to Unconsolidated Financial Statements	Adjustment recorded - Change in policy for internal endowments	As restated
Increase (decrease) in:				
Statement of Financial Position				
Assets	$ 2,006,703	$ (2,074)	$ -	$ 2,004,629
	2,006,703	(2,074)	-	2,004,629
Liabilities	1,445,430	(2,074)	-	1,443,356
Net Assets				
Endowments	340,552	(449)	-	340,103
Investment in capital assets and collections	202,435	(2,291)	-	200,144
Internally restricted (note 14)	77,654	970	-	78,624
Unrestricted Net Assets (Deficit)	(59,368)	1,770	-	(57,598)
	$ 2,006,703	$ (2,074)	$ -	$ 2,004,629
Statement of Revenue and Expense				
Revenues*	$ 945,772	$ (4,444)	$ 12,873	$ 954,201
Expenses	949,963	(4,444)	-	945,519
Excess (Deficiency) of Revenue over Expense	$ (4,191)	$ -	$ 12,873	$ 8,682

*As a result of the change in accounting policy for internal endowments, investment income has increased by $12,873 since endowment losses have been removed from net income and recorded as direct decreases to endowment net assets. This is included in the change in revenues noted above.

4. Cash and Cash Equivalents

Cash and cash equivalents, with a maximum maturity of 90 days at date of purchase are as follows:

	2010	2009
Cash	$ 5,948	$ (10,816)
Money market funds, short-term notes and treasury bills	570,114	467,459
	$ 576,062	$ 456,643

(thousands of dollars)

5. Investments

As at March 31, 2010, the composition, fair value, and annual market yields on investments are as follows:

	2010			2009		
	Annual Market Yield		Market Value	Annual Market Yield		Market Value
Money market funds, short-term notes, and treasury bills	-	$	1,028		$	737
Canadian bonds	5.76%		255,117	5.74%		173,902
Canadian equity	41.13%		150,104	(29.20%)		112,522
Foreign equity	20.91%		150,486	(29.49%)		117,114
Floating Rate Notes (ABCP)	15.39%		31,844	(22.01%)		38,767
Other fixed income	6.84%		50,994	4.38%		30,879
		$	639,573		$	473,921
Short-term investments	5.98%		190,331	5.61%		119,467
Long-term investments	23.23%		449,242	(19.98%)		354,454
		$	639,573		$	473,921

Terms to maturity of fixed income investments are as follows:

- Money market funds, short-term notes, and treasury bills – less than one year.
- Canadian government and corporate bonds – range from less than one year to more than 10 years.

The University's investments are managed using two pools, the Working Capital Pool "WCP" with investment holdings of $225,647 (2009 - $152,004) and the Unitized Endowment Pool "UEP" with investment holdings of $413,926 (2009 - $321,917). The primary objective of the University's investment policy for the WCP is the preservation of capital, liquidity and to earn a rate of return that exceeds the DEX Short Term Bond Index. The primary objective for the UEP is to earn a long-term rate of return that, in real terms, exceeds total endowment spending at an acceptable level of risk.

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Investment Committee, a subcommittee of the Board of Governors, has delegated authority for oversight of the University's investments. The Investment Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policies and to evaluate the continued appropriateness of the University's investment policies.

Floating Rate Notes (formerly Asset Backed Commercial Paper - ABCP)

At March 31, 2010, the University holds $57,608 (2009 - $67,646) in floating rate notes which comprise the following:

(thousands of dollars)

Investments (Continued)

Note Type	Face Value	Estimated fair value	Scheduled repayment	Maturity
Synthetic Assets	$ 46,549	$ 31,126	7 years	July 15, 2056
IA Tracking Notes	11,059	718	3 - 30 years	3 - 30 years
Total	$ 57,608	$ 31,844		

Synthetic Assets are considered investment grade, rated BBB or higher, with the exception of C notes that are rated BB for which the University holds $1.4 million in face value.

In the absence of a well-functioning market for floating rate notes, the University has estimated the fair value of these investments using a discounted cash flow valuation model. The model involves assumptions regarding the difference between the expected yield, based on similarly rated securities adjusted for illiquidity and market complexity, and the appropriate market-discount attributable to such investments. The spread between the expected yield and the estimated discount rate ranges from 422 basis points for the Class A-1 notes and 682 basis points for the Class C notes. An increase in spread of 100 basis points would result in a reduction to the fair value of $3,113.

IA Tracking Notes are generally unrated and therefore have been valued at the current market value provided by an independent, publicly available source. Administration believes this is a fair approximation of their current market value.

The eventual timing and amount of future cash flows attributable to these assets may vary significantly from administration's current best estimates. It is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to the financial results.

6. Other Long-term Assets

	2010	2009
Receivable from Alberta Innovates Health Solutions	$ -	$ 5,725
Capital lease receivable (1)	14,737	15,014
Other long-term assets	2,522	2,955
Investment in subsidiaries and joint venture (2)	5,643	5,528
Current portion in Accounts Receivable	(298)	(3,459)
Balance, end of year	$ 22,604	$ 25,763

1) The University and Alberta Health Services (AHS) entered into a 25-year agreement for AHS to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. The future minimum lease payments receivable for the next five fiscal years are as follows: 2011 to 2013 - $1,384 per year; 2014 - $1,424; 2015 - $1,453.

2) Financial information with respect to the University's share of its subsidiaries and joint venture is disclosed below:

(thousands of dollars)

Other Long-term Assets (Continued)

	University Technologies Group		Arctic Institute of North America		Canada School of Energy and Environment	
	2010	2009	2010	2009	2010	2009
Assets	$ 4,933	$ 5,101	$ 2,238	$ 2,542	$ 4,557	$ 6,318
Liabilities	1,163	11,949	365	380	4,557	6,318
Equity (Accumulated Deficit)	3,770	(6,848)	1,873	2,162	-	-
Revenues	8,186	2,415	895	932	1,651	969
Expenses	2,800	4,070	1,172	1,173	1,651	969
Net Income (loss)	5,386	(1,655)	(277)	(241)	-	-
Cash provided (used in) operating activities	5,098	(359)	(121)	(118)	(2,221)	6,404
Cash provided (used in) financing activities	(3,824)	22	15	43	-	-
Cash provided (used in) investing activities	(715)	(474)	(116)	34	-	-
Increase (decrease) in cash	$ 559	$ (811)	$ (222)	$ (41)	$ (2,221)	$ 6,404

The difference between the combined net income of the subsidiaries and the subsidiaries income recorded in investment income in note 18 is due to offsetting inter-company revenues and expenses.

7. Capital Assets and Collections

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings, utilities and site improvements	$ 1,559,993	$ 528,549	$ 1,031,444	$ 1,287,020	$ 497,122	$ 789,898
Furnishings, equipment and systems	565,464	458,279	107,185	536,638	425,377	$ 111,261
Learning resources	171,853	128,103	43,750	165,347	122,599	$ 42,748
Land	14,058	-	14,058	14,058	-	$ 14,058
Library permanent collections	4,370	-	4,370	3,981	-	$ 3,981
Other permanent collections	8,388	-	8,388	7,900	-	7,900
Balance, end of year	$ 2,324,126	$ 1,114,931	$ 1,209,195	$ 2,014,944	1,045,098	969,846

Construction in progress, which is not amortized as the assets are not yet available for use is comprised of $468,942 (2009 - $313,231) from buildings, utilities and site improvements and $4,674 (2009 - $2,981) from furnishings, equipment and systems.

Acquisitions during the year included in-kind contributions (such as learning resources, equipment, software, buildings and land) in the amount of $7,110 (2009 - $840).

(thousands of dollars)

8. Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

		2010		2009
Universities Academic Pension Plan (UAPP)	$	58,321	$	38,720
Long-term Disability		403		365
Supplemental Retirement Pension Plan		4,967		4,635
Balance, end of the year	$	63,691	$	43,720

a) Defined Benefit

Multi-Employer Pension Plans
The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2008. This was then extrapolated to the University's year end of March 31, 2010.

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The pension expense recorded in these financial statements is $11,578 (2009 - $8,993).

The deficits reported below represent the unfunded position of the plans as a whole and not the University's share:

	2010		2009	
	31-Mar-10	31-Dec-09	31-Mar-09	31-Dec-08
UAPP				
Post 1991	$ 277,859	$ 305,020	$ 442,750	$ 303,034
Pre 1992	646,208	665,980	857,110	752,437
Total	$ 924,067	$ 971,000	$ 1,299,860	$ 1,055,471
PSPP	n/a	$ 1,729,196	n/a	$ 1,187,538

The University's portion of the UAPP deficiency disclosed below has been allocated based on its percentage of the plan's total employer contributions for the year.

(thousands of dollars)

Employee Future Benefit Liabilities (Continued)

b) Supplementary retirement (defined benefit)

The University provides non-contributory defined supplementary retirement benefits to current and past executives. An actuarial valuation of these benefits was carried out at March 31, 2010. The valuation showed an aggregate liability of $4,967 (2009 - $4,635).

	2010			2009		
	UAPP (1)	Long-term disability (2)	Supplementary retirement (2)	UAPP (1)	Long-term disability (2)	Supplementary retirement
Expenses						
Current service cost	$ 23,189	$ -	$ 462	$ 20,470	$ -	$ 451
Interest cost	13,087	37	215	6,180	40	217
Amortization of net actuarial losses (gains)	13,126	(105)	11	4,710	(105)	763
Amortization of past service cost	-	207	37		206	
Curtailment	-	-	-	-	-	848
Settlement loss (gain)	-	-	(236)	-	-	-
Total expense	$ 49,402	$ 139	$ 489	$ 31,360	$ 141	$ 2,279
Financial Position						
Accrued benefit obligation:						
Balance, beginning of year	$ 499,240	$ 989	$ 6,281	$ 441,220	$ 1,050	$ 5,151
Current service cost	23,189	-	462	20,470	-	451
Interest cost	34,242	37	215	30,250	40	217
Benefits paid	(22,729)	(101)	(156)	(20,280)	(101)	(196)
Past service costs	-	787	121	-	-	-
Actuarial (gain) loss	(59,608)	(585)	(1,300)	27,580	-	191
Settlement loss (gain)	-	-	(270)	-	-	-
Curtailment loss	-	-	-	-	-	467
Balance, end of year	474,334	1,127	5,353	499,240	989	6,281
Plan assets	357,893	-		312,210	-	-
Funded status - plan deficit	(116,441)	(1,127)	(5,353)	(187,030)	(989)	(6,281)
Unamortized past service costs	-	1,988	84	-	1,408	-
Unamortized net actuarial (gain) loss	58,120	(1,264)	302	148,310	(784)	1,646
Accrued benefit liability	$ (58,321)	$ (403)	$ (4,967)	$ (38,720)	$ (365)	$ (4,635)

(1) Plan assets:

UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2009 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2009 – 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value of the Province of Alberta's obligation for the future additional contributions at December 31, 2008 was $270,200.

The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.64% (2009 – 1.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021.

(2) Supplementary retirement and Long-term disability - the University plans to use its working capital to finance these future obligations.

(thousands of dollars)

Employee Future Benefit Liabilities (Continued)

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2010			2009		
	UAPP	Long-term disability	Supplementary retirement	UAPP	Long-term disability	Supplementary retirement
Accrued benefit obligation:						
Discount rate	6.90%	4.50%	5.00%	6.70%	4.00%	3.2% first ten years, 5.3% thereafter
Long-term average compensation increase	3.50%	n/a	4.00%	3.00%	n/a	4.00%
Benefit cost:						
Discount rate	6.70%	4.00%	3.2% first ten years, 5.3% thereafter	6.70%	4.00%	4% first ten years, 5% thereafter
Long-term average compensation increase	3.00%	n/a	4.00%	3.00%	n/a	4.00%
Long-term inflation	2.25%	n/a	0.93% first ten years, 1.75% thereafter	2.70%	n/a	2.50%
Estimated average						
Estimated average remaining service life	11.3 yrs	9 yrs	(1)	10.5 yrs	10 yrs	(1)

(1) Excess actuarial gains or losses are amortized over the remaining service of each plan participant, not an average.

(thousands of dollars)

9. Long-term Liabilities

	Collateral	Maturity date	Interest rate %	Amount outstanding 2010	2009
Debentures payable to Alberta Capital Finance Authority*:					
Debenture for Cascade Hall	1	May 2025	6.250%	$ 13,129	$ 13,600
Debenture for Human Performance Lab	1	March 2011	4.349%	892	1,745
Debenture for Health Renovation Innovation Centre/Parkade	1	April 2031	4.935%	5,485	5,625
Debenture for Child Development Centre/Parkade	1	June 2032	5.249%	1,848	1,890
Debenture for International Residence House	1	September 2032	4.689%	24,984	25,600
Debenture for International Residence House	1	June 2039	5.100%	29,400	
Debenture for Residence Renewal Program	1	September 2026	4.429%	5,700	
Debenture for Phase VI Residence	1	March 2040	4.734%	30,000	
Mortgages payable to Canada Mortgage and Housing Corporation:					
Mortgage for Dining Centre, Kananaskis and Rundle Halls	1	March 2016	5.125%	616	700
Bank loans payable:					
Mortgage for University Research Centre	1	April 2012	0.00%	1,192	1,740
Capital finance bridging facility	2	June 2009	Prime	-	16,000
				113,246	66,900
Obligations under capital leases				891	714
Other long-term obligations (includes asset retirements and liabilities for site restoration)				-	3,060
				114,137	70,674
Less current portion				(3,951)	(22,124)
Balance, end of year				$ 110,186	$ 48,550

(1) title to land, building; (2) none

* Alberta Capital Finance Authority is a related party

The principal portion of long-term debt repayments required over the next five years is as follows:
2011 - $ 3,315; 2012 - $ 3,876; 2013 - $ 3,952; 2014 - $4,053; 2015 - $ 4,257.
Interest expense on long-term obligations is $ 2,656 (2009 - $1,374).
The weighted average interest rate is 4.95% (2009 – 4.37%).

(thousands of dollars)

10. Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2010		2009	
	Capital	Research and other	Capital	Research and other
Balance, beginning of year	$ 185,458	$327,125	$ 120,656	$ 288,642
Grants, contributions, donations, and investment income	186,521	355,308	201,168	312,095
Recognized as revenue	(188)	(253,411)	(234)	(236,271)
Transferred to unamortized deferred capital contributions	(209,346)	(37,357)	(136,035)	(37,334)
Transferred to investment in capital assets, not subject to amortization	(386)	-	(97)	(7)
Balance, end of year	$ 162,059	$391,665	$ 185,458	$ 327,125

11. Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2010	2009
Balance, beginning of year	$ 708,170	$ 587,277
Additions from deferred contributions, net of disposals	246,277	172,644
Amortization to revenue	(52,073)	(51,751)
Balance, end of year	$ 902,374	$ 708,170

12. Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

(thousands of dollars)

Endowments (Continued)

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

The composition of endowments is as follows:

	2010	2009
Balance, beginning of year	$ 340,103	$ 425,578
Gifts of endowment principal	42,403	20,856
Transfer to endowments	1,208	190
Endowment spending allocation including fees	(18,075)	(19,411)
Investment gain (loss)	76,019	(87,110)
Balance, end of year	$ 441,658	$ 340,103
Cumulative contributions	$ 340,515	$ 296,905
Cumulative capitalized income	101,143	43,198
	$ 441,658	$ 340,103

In 2009, cumulative capitalized income of $106,521 was required to cover the investment income loss on endowments of $87,110 and the approved endowment spending allocation of $19,411.

(thousands of dollars)

13. Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2010	2009
Capital assets and collections at net book value (note 7)	$ 1,209,195	$ 969,846
Less amounts financed by:		
Unamortized deferred capital contributions (note 11)	(902,374)	(708,170)
Long-term liabilities related to capital expenditures	(112,350)	(61,532)
Investment in capital assets and collections, end of year	$ 194,471	$ 200,144

	2010	2009
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 200,144	$ 209,373
Acquisition of capital assets and collections	73,367	44,696
Long-term liabilities - repayment	4,830	1,577
Long-term liabilities - new financing	(55,648)	(26,689)
Amortization of investment in capital assets	(28,608)	(28,917)
Net change in investment in capital assets	(6,059)	(9,333)
Contributions of assets not subject to amortization	386	104
(Decrease) for the year	(5,673)	(9,229)
Investment in capital assets and collections, end of year	$ 194,471	$ 200,144

14. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. Internally restricted net assets are summarized as follows:

	2010	2009
Subsidiaries	$ 5,643	$ 2,128
Internally Restricted for Future Commitments and Strategic Reinvestments	53,598	71,048
Faculty and Departmental	25,227	5,448
Balance, end of the year	$ 84,468	$ 78,624

(thousands of dollars)

15. Contingent Liabilities

(a) The University is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

(b) At March 31, 2010 the University had entered into agreements that provide guarantees on employee housing loans in the amount of $1,589 (2009 - $2,078).

16. Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

		2010		2009
Service contracts	$	52,600	$	59,800
Capital projects		155,516		169,180
	$	208,116	$	228,980

Included in service contracts are contracts to purchase electricity and natural gas. The University has entered into a five-year contract expiring December 31, 2011, to purchase blocks of electricity in order to manage its exposure to volatility in electrical prices. As a subset of this contract, the University entered a three-year fixed-price contract which expires March 31, 2011. The approximate contractual obligation for electricity is $17,200 (2009 - $20,850). To manage its risk exposure to natural gas, the University has entered into an Energy Purchase Agreement, expiring September 30, 2013, based on an index (floating on the spot market) price with an option to hedge any portion of the requirement at any time. At March 31, 2010, the University had hedged a portion of this contract by fixing the price on a portion of its estimated consumption. Using best estimates of future consumption and forward market prices on March 31, 2010, the approximate contractual obligation for natural gas including executed hedge contracts is $35,400 (2009 - $38,950).

The University's commitments for operating leases for the next five year are as follows: 2011- $2,720; 2012 - $3,709; 2013 - $3,460; 2014 - $3,425; 2015 - $3,216.

The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2009 CURIE had a surplus of $32,032 (2008 - $17,748). This surplus is an accumulation of five different underwriting periods, of which the University's pro rata share is approximately 5.84% (2008 – 5.88%). This surplus is not recorded in the financial statements.

(thousands of dollars)

17. Budget Comparison

The University's 2009-10 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009-13 Business Plan. Certain budget figures from the University's 2009-13 Business Plan have been reclassified to conform to the presentation adopted in the 2010 financial statements.

		Budget - Unaudited	2010 Actual
REVENUE			
	Government of Alberta grants	$508,533	$499,583
	Federal and other government grants	126,360	114,821
	Sales of services and products	84,278	94,967
	Student tuition and fees	168,180	169,720
	Donations and other grants	76,840	71,456
	Investment income (note 18)	17,382	31,510
	Amortization of deferred capital contributions (note 11)	50,443	52,073
		1,032,016	1,034,130
EXPENSE			
	Salaries	501,455	502,482
	Employee benefits	101,420	101,957
	Materials, supplies and services	230,107	182,095
	Utilities	36,125	28,214
	Maintenance and repairs	11,314	14,160
	Scholarships, bursaries and awards	54,603	61,061
	Cost of goods sold	18,899	15,471
	Amortization of capital assets	78,093	80,681
		1,032,016	986,121
EXCESS OF REVENUE OVER EXPENSE		$ -	$48,009

(thousands of dollars)

18. Investment Income

	2010	2009 restated
Gain (Loss) on investments held for endowments	$ 76,019	$ (87,110)
Gain on other investments	13,258	20,932
Recovery (write-down) on Floating Rate Notes (ABCP)	2,986	(11,934)
Loss from subsidiaries and joint venture	(424)	(1,927)
	91,839	(80,039)
Investment income capitalized to endowments	(57,944)	-
Investment loss charged to cumulative capitalized endowment earnings	-	87,110
Amounts deferred	(2,385)	(35)
Investment income	$ 31,510	$ 7,036

(thousands of dollars)

19. **Related Party Transactions**

a) The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Government of Alberta (GOA) are measured at the exchange amount and summarized below.

	2010	2009
Revenue from GOA		
Advanced Education and Technology:		
Operating grants	$ 360,724	$ 333,541
EPE grants	65,708	57,235
Capital grants	193,656	199,407
Research grants	16,006	12,410
Access to the Future Fund (matching grants)	1,319	1,479
Alberta Innovates Bio Solutions	241	35
Alberta Innovates Energy and Environment	1,187	-
Alberta Innovates Health Solutions	27,685	25,970
Alberta Innovates Technology Futures	14,246	15,013
Other	12,619	4,063
Total Advanced Education and Technology	693,391	649,153
Other GOA departments and agencies grants:		
Alberta Health and Wellness	15,808	13,847
Alberta Health Services	11,474	16,368
Other	2,398	2,547
Total other GOA departments and agencies	29,680	32,762
Total contributions received	723,071	681,915
Less: deferred contributions	(223,488)	(225,926)
	$ 499,583	$ 455,989
Accounts receivable		
Advanced Education and Technology	$ 22,917	$ 3,168
Other GOA departments and agencies	8,438	14,222
	$ 31,355	$ 17,390
Accounts payable		
Advanced Education and Technology	$ 153	$ 80
Other GOA departments and agencies	35	3,643
	$ 188	$ 3,723

The University has long-term liabilities with Alberta Capital Finance Authority as described in note 9.

b) Alberta Health Services (AHS) is related to the Province of Alberta since its board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, AHS is a related party to the University. Transactions between the University and the AHS are summarized as follows:

(thousands of dollars)

Related Party Transactions (Continued)

		2010		2009
The University of Calgary pays to AHS in the normal course of operations amounts related to utilities; salaries and benefits; and materials, supplies and overheads. Expenditures incurred:	$	18,678	$	23,215
The University of Calgary receives from AHS in the normal course of operations amounts related to physicians; research projects, studies and grants, programs; and support services. Revenues included in income:	$	55,639	$	40,496
Net receivable to the University of Calgary by AHS:	$	8,344	$	5,211

The University leases land to AHS for a parkade at the Foothills Medical Centre and the Alberta Children's Hospital. Effective September 2003 the University and AHS entered into a 25-year agreement for AHS to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. At March 31, 2010, the carrying value of the lease receivable is $14,737 (2009 - $15,014). During the year the University received $1,384 in lease payments (2009 - $1,356), $1,107 of which was recognized as interest income (2009 - $1,126).

20. Salary and Employee Benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2010				2009
	Base salary [1]	Other cash benefits [2]	Other non-cash benefits [3][6]	Total	Total
Governance [4]					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President - Incumbent [5][10]	126	-	1	127	-
President - Past Incumbent [5][7]	316	-	408	724	2,463
Vice-Presidents:					
Provost and Vice-President Academic [7]	326	-	162	488	459
Vice-President Research [8]	367	-	83	450	430
Vice-President Finance and Services – Incumbent [5][10]	203	10	74	287	-
Vice-President Finance and Services - Past Incumbent [5][10]	75	-	18	93	378
Vice-President External Relations [10]	193	-	41	234	362
Vice-President Facilities Management and Development [10]	341	34	85	460	352
Vice President Development [9]	281	55	88	424	422

1. Base salary includes pensionable base pay.
2. Other cash benefits include bonuses.
3. Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, supplemental retirement plan (per footnote [6]), accidental disability and dismemberment. Benefits for some of the executive also include professional leave, car allowance/taxable benefit for the use of University leased vehicles, and memberships. Benefits reported for the President include a housing allowance.

(thousands of dollars)

Salary and Employee Benefits (continued)

4. The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.
5. During the fiscal year, the President - Incumbent and President - Past Incumbent positions were occupied for three and nine months respectively. During the fiscal year, the VP Finance and Services - Incumbent and the VP Finance and Services - Past Incumbent positions were occupied for nine and three months respectively.
6. Under the terms of the supplementary retirement plan (SRP), the executive may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses in excess of 10% of the benefit obligations are amortized over the average remaining service life with respect to each plan participant. Current service cost is the actuarial present value of the benefits earned in the current year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.
7. Individuals in these roles earned administrative leave benefits during the year that have been included in other non-cash benefits.
8. Upon completion of their employment contract, the individual in this role will be eligible for six months of administrative leave. Given this individual is not at the completion of their contract, they are currently not eligible for the administrative leave benefits. As the individual becomes eligible, the costs associated with the leave benefits will be recorded.
9. During the term of their employment contract, the individual in this role may take up to six months of administrative leave subject to the President's approval of the individual's administrative leave proposal. The costs associated with the leave benefits are recorded when incurred.
10. The employment contracts for these individuals do not provide for administrative leave benefits.

The current service cost and accrued obligation for each executive under the SRP is outlined in the following table:

	2010				2009	
	Current service cost	Prior service and other costs	Net Cost	Accrued Obligation[1]	Net Cost	Accrued Obligation
President - Incumbent	$ -	$ -	$ -	$ -	$ -	$ -
President - Past Incumbent	132	142	274	3,369	1,882	4,300
Vice-Presidents:						
Provost and Vice-President Academic	56	13	69	202	51	155
Vice-President Research	50	4	54	129	49	87
Vice-President Finance and Services - Incumbent	23	30	53	28	-	-
Vice-President Finance and Services - Past Incumbent	-	-	-	-	-	-
Vice-President External Relations[2]	-	9	9	9	56	180
Vice-President Facilities Management and Development	54	3	57	105	41	41
Vice-President Development	45	11	56	325	51	211

(1) The significant actuarial assumptions used to measure the accrued benefit obligation (ABO) are disclosed in Note 8.

(2) At March 31, 2010 the VP External Relation position was vacant. As such, at March 31, 2010 the ABO for this position was nil. Rather than reporting a zero balance to reflect the position as at March 31, 2010, the ABO figure disclosed relates to the person last holding the position during the year.

21. Comparative Figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.

University of Lethbridge

Financial Statements

March 31, 2010

UNIVERSITY OF LETHBRIDGE

Financial Statements

For the year ended March 31, 2010

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes to Net Assets
- Statement of Cash Flows
- Notes to the Financial Statement

Auditor's Report

To the Board of Governors

I have audited the statements of financial position of the University of Lethbridge as at March 31, 2010 and 2009 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
June 9, 2010

University of Lethbridge

Statement of Financial Position

As at March 31,
(thousands of dollars)

		2010	2009 Restated (Note 3)
Current Assets			
Cash	$	20,311	$ 44,476
Short-term investments (Note 4)		5,000	
Accounts receivable (Note 18)		11,031	7,744
Inventories and prepaid expenses		2,042	2,073
		38,384	54,293
Long-term investments (Note 4)		142,205	120,786
Other long-term assets (Note 5)		2,915	3,121
Capital assets and collections (Note 6)		289,244	262,458
	$	472,748	$ 440,658
Current Liabilities			
Accounts payable and accrued liabilities	$	14,552	$ 15,323
Current portion of employee future benefit liabilities (Note 7)		1,936	1,372
Current portion of long-term liabilities (Note 8)		750	840
Deferred contributions, research and other (Note 9)		22,285	17,267
Deferred revenue		4,487	4,522
		44,010	39,324
Employee future benefit liabilities (Note 7)		22,503	16,764
Long-term liabilities (Note 8)		3,330	4,358
Deferred contributions, research and other (Note 9)		764	1,183
Deferred capital contributions (Note 9)		39,966	62,068
Unamortized deferred capital contributions (Note 10)		172,405	149,380
		282,978	273,077
Net Assets			
Endowments (Note 11)		34,581	28,952
Investment in capital assets and collections, internally restricted (Note 12)		112,759	107,880
Internally restricted (Note 13)		15,480	6,240
Unrestricted		26,950	24,509
		189,770	167,581
	$	472,748	$ 440,658

Contingent liabilities and contractual obligations (Note 14 and Note 15)

Signed on behalf of the Board of Governors:

Chair, Board of Governors

President

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Operations

Year Ended March 31,
(thousands of dollars)

	2010 Budget (unaudited) (Note 16)	2010	2009 Restated (Note 3)
Revenue			
Government of Alberta grants	$ 110,820	$ 100,670	$ 94,070
Federal and other government grants	-	8,623	8,527
Sales of services and products	16,275	13,571	13,429
Student tuition and fees	36,907	38,488	35,904
Donations and other grants	2,760	3,791	3,439
Investment income (loss) (Note 17)	5,124	15,501	(11,543)
Amortization of deferred capital contributions (Note 10)	6,300	8,512	7,280
	178,186	189,156	151,106
Expense			
Salaries	113,209	101,612	93,023
Employee benefits	13,830	20,854	15,830
Materials, supplies and services			
Supplies and service	12,816	8,176	9,056
Equipment	3,572	3,661	3,743
Travel	3,621	4,016	4,102
External contracted services	3,209	4,096	3,966
Professional fees	1,039	1,521	1,672
Interest on long term obligations	400	713	415
Insurance	651	542	477
Property taxes	152	118	142
Loss (gain) on disposal of capital assets	-	(9)	68
Utilities	3,148	2,905	2,956
Maintenance and repairs	2,022	1,269	1,307
Scholarships, bursaries and awards	3,796	5,176	4,582
Cost of goods sold	3,607	3,261	3,269
Amortization of capital assets	13,042	15,187	14,098
	178,114	173,098	158,706
Excess /(deficiency) of Revenue over Expense	$ 72	$ 16,058	$ (7,600)

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Changes in Net Assets

Year Ended March 31,
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections, Internally Restricted	Internally Restricted Net Assets	Unrestricted Net Assets
Net Assets, March 31, 2008	$ 32,173	$ 106,416	$ 13,335	$ 27,221
Excess (deficiency) of revenue over expense	-	-	-	(7,600)
Endowment investment loss (Note 17)	(6,758)	-	-	-
Endowment contributions	2,730	-	-	-
Transfers	807	-	2,766	(3,573)
Net investment in capital assets (Note 12)	-	1,400	(2,436)	1,036
Contributions of assets not subject to amortization (Note 12)	-	64	-	-
Expenditures of internally restricted net assets	-	-	(7,425)	7,425
Net Assets, March 31, 2009	$ 28,952	$ 107,880	$ 6,240	$ 24,509
Excess (deficiency) of revenue over expense	-	-	-	16,058
Endowment investment income (Note 17)	4,520	-	-	-
Endowment contributions	1,484	-	-	-
Transfers	(375)	-	2,596	(2,221)
Net investment in capital assets (Note 12)	-	4,752	5,350	(10,102)
Contributions of assets not subject to amortization (Note 12)	-	127	-	-
Expenditures of internally restricted net assets	-	-	1,294	(1,294)
Net Assets, March 31, 2010	$ 34,581	$ 112,759	$ 15,480	$ 26,950

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Cash Flows

Year Ended March 31,
(thousands of dollars)

	2010	2009
Cash provided from (used in) operating activities:		
Excess /(Deficiency) of revenue over expense	$ 16,058	$ (7,600)
Add (deduct) non-cash items:		
Amortization of capital assets	15,187	14,098
Amortization of deferred capital contributions	(8,512)	(7,280)
Gain /(Loss) on disposal of capital assets	(9)	68
Change in employee future benefit liabilities	5,739	5,687
Change in unrealized loss (gain) on investments	(12,707)	16,437
Total non-cash items	(302)	29,010
Net change in non-cash working capital (*)	(3,478)	11,746
	12,278	33,156
Cash provided from (used in) investing activities:		
Purchases of capital assets and collections, net of proceeds from disposals - Internally funded	(11,170)	(8,048)
Purchases of capital assets and collections, net of proceeds from disposals - Externally funded	(29,832)	(36,917)
Purchases of long-term investments, net of sales	(4,229)	(27,298)
Proceeds from other long-term assets (Note 5)	-	1,104
Endowment investment earnings	36	399
	(45,195)	(70,760)
Cash provided from (used in) financing activities:		
Endowment contributions	1,484	2,730
Capital contributions	7,273	53,852
Long-term liabilities - new financing, net of repayments	(211)	(217)
Change in other long-term assets (Note 5)	206	57
	8,752	56,422
(Decrease) / Increase in cash	(24,165)	18,818
Cash, beginning of year	44,476	25,658
Cash, end of year	$ 20,311	$ 44,476
(*) Net change in non-cash working capital:		
(Increase) in short-term investments	$ (5,000)	$ -
Decrease / (Increase) in accounts receivable	(3,287)	8,932
Decrease / (Increase) in inventories and prepaid expenses	35	(531)
(Decrease) / Increase in accounts payable and accrued liabilities	(771)	3,009
Increase in deferred contributions, research and other	5,581	188
(Decrease) / Increase in deferred revenue	(36)	148
	$ (3,478)	$ 11,746

The accompanying notes are part of these financial statements.

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 1 Authority and Purpose

The Governors of The University of Lethbridge is a corporation which manages and operates The University of Lethbridge ("the University") under the *Post-Secondary Learning Act* (Alberta). All members of the board of governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education and Technology, with the exception of the Chancellor and President, who are *ex officio* members. Under the *Post-Secondary Learning Act*, Campus Alberta Sector Regulation, the University is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets, amortization of deferred capital contributions and asset retirement obligations are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Financial Statements and Interest in Joint Ventures

Currently, the University is not involved with any joint ventures. Organizations subject to significant influence where the University does not maintain control are disclosed in Note 18.

(c) Financial Instruments

The University's financial assets and liabilities are generally classified and measured as follows:

Financial Statement Component	Classification	Measurement
Cash	Held for Trading	Fair Value
Short-term Investments	Held for Trading	Fair Value
Long-term Investments	Held for Trading	Fair Value
Accounts Receivable	Loans and Receivables	Cost or Amortized Cost
Other Long-term Assets	Loans and Receivables	Cost or Amortized Cost
Accounts Payable and Accrued Liabilities	Other Liabilities	Cost or Amortized Cost
Long-term Liabilities	Other Liabilities	Cost or Amortized Cost

The University's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

All derivative financial instruments of the University are classified as held for trading. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, leases and insurance contracts, and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk, market risk, commodity price risk, and liquidity risk. Each of these risks is managed through the University's collection procedures, investment guidelines, banking arrangements and other internal policies, guidelines and procedures.

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)
(c) Financial Instruments (continued)

Market Risk
The University is subject to market risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage these risks, the University has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerances.

Liquidity Risk
The University maintains a short-term line of credit with the Bank of Montreal that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2010 the University had committed borrowing facilities of $5 million, none of which has been drawn.

Credit Risk
The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.

Interest Rate Risk
Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. The risk is managed by contractually setting interest rates with banking institutions.

Commodity Price Risk
The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into contracts to fix the price for electricity.

(d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value, where cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at cost or net replacement cost.

(e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include museum specimens, and works of art held for education, research and public exhibition purposes.

Construction in progress includes costs directly attributable to the construction including engineering, legal fees, and interest on specific debt attributed to the construction of capital assets.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Asset Category	Estimated Useful Lives
Buildings, land and leasehold improvements	
Land improvements	10-25 years
Buildings - exterior	40 years
Buildings - interior	20 years
Building improvements	15 years
Leasehold improvements	lease term
Furnishings and Equipment	
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Library Materials	10 years

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred, if a reasonable estimate of fair value based on the discounted present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

(g) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

Unrestricted contributions - when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Operating grants - when received or receivable, or where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.

Pledges - are recorded if they can be reasonably estimated and collection is reasonably assured. Pledges receivable are recorded as an asset with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowments as applicable.

Revenues received for services and products - when the services or products are substantially provided.

Tuition fees - when the instruction is delivered.

Donations of materials - are recorded at fair value when a fair value can be reasonably determined and when materials would otherwise have been purchased.

Restricted contributions - based on the deferral method.

Deferral Method
Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with limited lives are first recorded as deferred capital contributions when received, and when expended they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are recognized as revenue when the conditions of the endowment are met.

Contributions restricted for the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections, internally restricted.

(h) Employee Future Benefits

Pension
The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting,

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(h) Employee Future Benefits (continued)

and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary Benefit Plan
The cost of providing non-contributory post employment benefits under the University's supplementary benefit plan is charged to pension expense annually based on the employer's current contributions, adjusted annually by the realized rate of return on the University's long-term investments.

Early Retirement Plan
The cost of providing accumulating post employment benefits under the University's early retirement plan is actuarially determined using the projected benefit method. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

During the year, the University added a one time voluntary retirement program to allow employees meeting the plan criteria to retire early and be provided a defined benefit upon retirement within the 2010 and 2011 calendar years. The cost of these benefits is determined by management based on years of service and salary as of July 2009. The costs of providing this benefit is recognized as expense in full when the event occurs which obligates the University to provide the benefits.

Long-Term Disability Plan
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plan is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation which exceed 10% of the long-term disability accrued benefit obligation are amortized over the average remaining service lifetime and are recognized in the benefit cost.

Senior Administration Leaves
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's senior administrative leaves is actuarially determined using the projected benefit method prorated on service, including salary increases where applicable, and are based on the plan's benefit formula. Actuarial gains or losses on the accrued benefit obligation are recognized immediately.

(i) Capital Disclosures

The University defines its capital as the amounts included in deferred contributions (Note 9), endowment net assets (Note 11) and unrestricted net assets. A significant portion of the University's capital is externally restricted. The University has investment policies (Note 4), spending policies and cash management procedures to ensure the University can meet its capital obligations.

Under the *Post-Secondary Learning Act*, the University must receive ministerial or Lieutenant Governor in Council approval for a deficit budget, mortgage and debenture borrowing, and the sale of any land, other than donated land, that is being held by and being used for the purposes of the University.

(j) Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in these financial statements.

Note 3 Prior Period Adjustment

Management has determined that an error was made in the prior year where a grant was recorded as income although it was restricted for capital purposes and not spent. Management also identified that endowment investment earnings corresponding to amounts expended had not been recorded as income, but had been transferred between net assets.

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 3 Prior Period Adjustment (continued)

The corrections have been applied retrospectively with restatement of comparative figures. The impact on the prior year's financial statements as a result of the error is as follows:

	2009		
	As previously recorded	Adjustment recorded	As restated
Increase (decrease) in:			
Statement of Financial Position			
Deferred capital contributions	$ 60,120	$ 1,948	$ 62,068
Statement of Operations			
Government of Alberta grants	96,018	(1,948)	94,070
Investment income (loss)	(11,968)	425	(11,543)

Note 4 Investments

As at March 31, 2010, the composition, fair value, and annual market yields on investments are as follows:

	2010		2009	
	Annual Market Yield	Market Value	Annual Market Yield	Market Value
Cash, money market funds, short-term notes and treasury bills	-0.90%	$ 26,431	3.00%	$ 22,931
Canadian bonds	5.60%	43,999	4.80%	43,668
Canadian equity	36.20%	49,954	-23.70%	32,819
Foreign equity	27.80%	26,682	-38.30%	21,234
Other		139		134
		$ 147,205		$ 120,786
Short-term investments		5,000		
Long-term investments		142,205		120,786
		$ 147,205		$ 120,786

Terms to maturity of fixed income investments are as follows:

- Money market funds, short-term notes and treasury bills - less than one year.
- Canadian government and corporate bonds - range from less than one year to more than 40 years.

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Finance Committee, a subcommittee of the Board of Governors, has delegated authority for oversight of the University's investments. The Finance Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policy and to evaluate the continued appropriateness of the University's investment policy.

Cash, money market funds, and short-term notes are held for less than one year. Short-term investments are held on average for less than one year and bonds are held on average for less than two years. Bond investments must have a rating of BBB-plus or better and the short-term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service. The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 5 Other Long-term Assets

		2010		2009
1st Choice Savings and Credit Union Ltd.	$	1,630	$	1,834
University of Lethbridge undergraduate students		1,609		1,594
University of Lethbridge graduate students		42		48
University of Lethbridge Faculty Association		150		[illegible]
Current portion in Accounts Receivable		(516)		(355)
	$	2,915	$	3,121

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and are contributing a total of $2,250 over a 15-year period beginning in 2007. University of Lethbridge students are contributing $2,500 towards the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 11 years beginning in 2007. Graduate students of the University of Lethbridge are contributing $60 towards the construction of the Day Care facility, to be collected over a period of approximately 13 years beginning in 2009. The University of Lethbridge Faculty Association is contributing $205 toward the construction of the Day Care Facility, to be collected over a period of approximately 20 years beginning in 2010. These contributions have been discounted to their present value using market interest rates.

In addition to the contributions above, there are pledges of $3,327 (2009- $4,857) for capital projects and scholarships that have not been recorded in the financial statements as they do not meet the criteria for recognition.

Note 6 Capital Assets and Collections

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings, land and leasehold improvements	$ 323,942	$ 96,199	$ 227,743	$ [illegible]	$ [illegible]	$ [illegible]
Furnishings and equipment	66,176	49,147	17,029	[illegible]	[illegible]	[illegible]
Library materials	32,622	22,877	9,745	[illegible]	[illegible]	[illegible]
Land	913	-	913	[illegible]		[illegible]
Permanent collections	33,814	-	33,814	[illegible]		[illegible]
	$ 457,467	$ 168,223	$ 289,244	$ [illegible]	$ [illegible]	$ [illegible]

Included in buildings, land and leasehold improvements is $43,116 (2009 - $28,066) recorded as construction in progress, which is not amortized as the assets are not yet available for use. Acquisitions during the year includes in-kind contributions (such as library materials, equipment, software, buildings and land) in the amount of $ 836 (2009 - $279).

Note 7 Employee Future Benefit Liabilities

Employee future benefit liabilities are comprised of the following:

		2010		2009
Universities Academic Pension Plan (UAPP)	$	14,413	$	9,470
Long-term disability		471		[illegible]
Early retirement		1,576		[illegible]
Senior administration leaves		5,712		[illegible]
Supplementary Benefit Plans (SBP)		2,113		[illegible]
Other		154		[illegible]
		24,439		[illegible]
Less current portion		(1,936)		[illegible]
Long-term portion	$	22,503	$	[illegible]

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(a) Defined Benefit

Multi-Employer Pension Plans

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members and other eligible employees. The latest actuarial valuation of the UAPP was carried out as at December 31, 2008. This was then extrapolated to the plan's year end of December 31, 2009 and further extrapolated to the University's year end of March 31, 2010. The next actuarial evaluation will be carried out as at December 31, 2010.

The Public Service Pension Plan (PSPP) is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2009, the PSPP reported an actuarial deficiency of $1,729,196 (2008 - $1,187,538 deficiency). An actuarial valuation of the PSPP was carried out as at December 31, 2008 and was then extrapolated to December 31, 2009. The next actuarial evaluation will be carried out as at December 31, 2011. The pension expense recorded in these financial statements is $1,414 (2009 - $1,188).

The financial positions reported below represent the plan as a whole and not the University's share:

	2010		2009	
	March 31, 2010	December 31, 2009	March 31, 2009	December 31, 2008
UAPP				
Post 1991	$ (277,859)	$ (305,020)	$ (442,750)	$ (303,034)
Pre 1992	(646,208)	(665,980)	(857,110)	(752,437)
Total	$ (924,067)	$ (971,000)	$ (1,299,860)	$ (1,055,471)
PSPP		$ (1,729,196)		$ (1,187,538)

The University's portion of the UAPP deficiency disclosed above has been allocated based on its percentage of the plan's total employer contributions for the year.

Early retirement

The University provides early retirement (support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010. The early retirement plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. The plan is closed to new members and no future service benefits are being accrued. The next actuarial evaluation will be carried out for March 31, 2011.

Long-term disability plans

The University provides long-term disability (academic and support staff) defined benefits to its employees. The most recent actuarial valuation for these benefits was as at March 31, 2010. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The accrued benefit obligation began the year at $721, increased by current service costs of $11, interest costs of $39 and amortization of net actuarial losses of $33, which were offset by benefits paid of $86 for an accrued benefit obligation at the end of the year of $718. The long-term disability plan has unamortized net actuarial losses of $247. The next actuarial evaluation will be carried out for March 31, 2011.

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

	2010				2009			
	UAPP (1)	Early retirement plan (2)	Senior administration leaves	Supplementary benefit plan	UAPP (1)	Early retirement plan (2)	Senior administration leaves	Supplementary benefit plan
Expenses								
Current service cost	$ 5,509 $	1,389 $	783 $	304	$ [illegible]860 $	- $	803 $	308
Interest cost	3,119	11	343	63	[illegible]470	12	312	65
Amortization of net actuarial losses (gains)	3,094	(6)	6	-	[illegible]100	(2)	85	
Total expense	$ 11,722 $	1,394 $	1,132 $	367 $	[illegible]430 $	10 $	1,200 $	373
Financial position								
Accrued benefit obligation, beginning of year	$ 118,606 $	216 $	5,897 $	1,814 $	104,[illegible]20 $	250 $	6,576 $	1,490
Current service cost	5,509	1,389	783	304	[illegible]860	-	803	308
Interest cost	8,135	11	343	63	[illegible]86	12	312	65
Benefits paid	(5,400)	(34)	(1,317)	(68)	(4,[illegible]20)	(44)	(879)	(49)
Actuarial (gain) loss	(18,973)	(6)	6	-	[illegible]550	(2)	85	-
Balance, end of year	107,877	1,576	5,712	2,113	118,606	216	5,897	1,814
Plan Assets	81,395	-	-	-	74,170			
Funded status - plan deficit	26,482	1,576	5,712	2,113	44,436	216	5,897	1,814
Unamortized net actuarial gain (loss)	12,069	-	-	-	(34,966)			
Accrued benefit liability	$ 14,413 $	1,576 $	5,712 $	2,113 $	9,470 $	216 $	5,897 $	1,814

(1) Plan Assets:
UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2009 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2009 - 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2009 of the Province of Alberta's obligation for the future additional contributions was $270,200. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.64% (2009 - 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021, and 0.28% of pensionable earnings until December 31, 2023.

(2) Early retirement - the University plans to use its working capital to finance these future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2010				2009			
	UAPP	Early retirement plan	Senior administration leaves (1)	Supplementary benefit plan	UAPP	Early retirement plan	Senior administration leaves	Supplementary benefit plan
Accrued benefit obligation:								
Discount rate	6.90%	4.60%	4.60%	n/a	6.70%	5.70%	5.70%	n/a
Long-term average compensation increase	3.50%	n/a	0.00%	n/a	3.00%	n/a	6.00%	n/a
Benefit cost:								
Discount rate	6.90%	4.60%	4.60%	n/a	6.70%	5.70%	5.70%	n/a
Long-term average compensation increase	3.50%	n/a	4.50%	n/a	3.00%	n/a	4.50%	n/a
Alberta Inflation:								
Next 3 years	2.25%	n/a	0.00%	n/a	3.70%	n/a	0.00%	n/a
Thereafter	2.25%	n/a	0.00%	n/a	2.70%	n/a	0.00%	n/a
Estimated average remaining service life	11.3 yrs	3 yrs	5 yrs	5 yrs	10.5 yrs	4 yrs	4 yrs	6 yrs

(1) The compensation increase is 0% for 2011 and 6% thereafter.

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 7 Employee Future Benefit Liabilities (continued)

(b) Defined Contribution

Supplementary benefit plan
The University provides non-contributory defined supplementary benefits to current and past senior administrators above the benefits provided by the University's Academic Pension Plan. The aggregate liability is $2,113 (2009 - $1,814). The University's total defined benefit supplementary benefit expense was $ 68 (2009 - $ 49).

Note 8 Long-term Liabilities

	Collateral	Maturity date	Interest rate	2010	2009
Alberta Capital Finance Authority payable:					
Student housing debenture	[1]	April 15, 2023	6.0%	$ 3,241	$ 3,387
Other liabilities					
Capital lease	n/a	Sept. 30, 2012	5.0%	281	384
Asset retirement obligation	n/a	n/a	n/a	558	1,427
				4,080	5,198
Less current portion				(750)	(840)
				$ 3,330	$ 4,358

[1] Collateral consists of a security interest in present and acquired intangibles, accounts, monies, book debts, instruments, claims or rights, rentals, or insurance proceeds directly or indirectly associated from the operations of the said student housing building.

The principal portion of long-term liability repayments, excluding the asset retirement obligation is as follows:

2011 - $260; 2012 - $273; 2013 - $238; 2014 - $184; 2015 and thereafter - $2567;

Interest expense on long-term obligations is $214 (2009 - $224). All long-term obligations have fixed interest rates. The weighted average interest rate is 5.24% (2009 - 4.31%).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the planned removal of asbestos from University Hall. Estimating the liability requires judgment by University administration related to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation. Costs are expected to be incurred over the next two fiscal years, with an undiscounted value of approximately $590. The credit-adjusted risk-free rate used for discounting the liability was 2.59%. The asset retirement obligation will reduce as the asbestos is removed from the building and amortized through the statement of operations. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value. Reconciliation of the asset retirement obligation is as follows:

	2010	2009
Asset retirement obligation, beginning of the year	$ 1,427	$ 1,382
Liabilities settled during the period	(135)	(218)
Accretion expense	37	21
Increase (decrease) in obligation	(771)	242
Asset retirement obligation, end of the year	$ 558	$ 1,427

(thousands of dollars)

Note 9 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2010		2009	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 67,303	$ 13,214	$ 47,398	$ 12,849
Grants and donations received	10,155	19,187	54,388	17,191
Recognized as revenue	(532)	(14,775)	(136)	(14,028)
Transferred to unamortized deferred capital contributions (Note 10)	(29,090)	(2,447)	(34,347)	(2,798)
Balance, end of the year	47,836	15,179	67,303	13,214
Less amounts included in current liabilities	(7,870)	(14,415)	(5,235)	(12,031)
	$ 39,966	$ 764	$ 62,068	$ 1,183

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations spent to fund capital acquisitions. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2010	2009
Balance, beginning of the year	$ 149,380	$ 119,515
Additions from deferred contributions (Note 9)	31,537	37,145
Amortization of deferred capital contributions to revenue	(8,512)	(7,280)
Balance, end of the year	$ 172,405	$ 149,380

Note 11 Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 11 Endowments (continued)

The composition of endowments is as follows:

	2010			2009		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Balance, beginning of the year	$ 25,347	$ 3,605	$ 28,952	$ 29,050	$ 3,123	$ 32,173
Gifts of endowment principal	1,484	-	1,484	2,730		2,730
Transfer to (from) endowments	(568)	200	(368)	629	482	1,111
Transfer from endowments	(7)	-	(7)	(304)		(304)
Investment gain (loss)	4,520	-	4,520	(6,758)		(6,758)
Balance, end of the year	$ 30,776	$ 3,805	$ 34,581	$ 25,347	$ 3,605	$ 28,952
Cumulative contributions	$ 24,328	$ 3,263	$ 27,591	$ 23,411	$ 3,263	$ 26,674
Cumulative capitalized income	6,448	542	6,990	1,936	342	2,278
	$ 30,776	$ 3,805	$ 34,581	$ 25,347	$ 3,605	$ 28,952

During the 2010 year, investment income (loss) of $4,520 (2009 - $(6,758)) was charged to endowment funds. The Board of Governors approved the funding of endowment deficits and transferred $306 (2009 - $588) from unrestricted net assets to externally restricted endowments. Repayments of $881 (2009 - $nil) were made to unrestricted net assets from externally restricted endowments.

Note 12 Investment in Capital Assets and Collections, Internally Restricted

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2010	2009
Capital assets and collections at net book value (Note 6)	$ 289,244	$ 262,458
Less amounts financed by:		
Unamortized deferred capital contributions (Note 10)	(172,405)	(149,380)
Long-term liabilities related to capital expenditures (Note 8)	(4,080)	(5,198)
	$ 112,759	$ 107,880

The changes during the year are as follows:

	2010	2009
Investment in capital assets and collections, beginning of the year	$ 107,880	$ 106,416
Acquisition of capital assets and collections	11,325	8,086
Long-term liabilities - repayment	248	238
Long-term liabilities - new financing	-	(1)
Net book value of asset disposals	(105)	(63)
Amortization of investment in capital assets	(6,716)	(6,860)
Net investment in capital assets	4,752	1,400
Contributions of assets not subject to amortization	127	64
Increase for the year	4,879	1,464
Investment in capital assets and collections, end of the year	$ 112,759	$ 107,880

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. Those amounts are not available for other purposes without the approval of the Board. Internally restricted net assets are summarized as follows:

	Balance, beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Balances, end of year
Capital activities				
Ancillary	$ 3,583	$ 1,006	$ 409	4,180
Housing (apartments)	867	3,271	35	4,103
Facility enhancement	[illegible]	2,150	-	2,150
Parking	852	240	-	1,092
Support units equipment	213	465	145	533
Service vehicles and equipment	147	265	-	412
Utility conservation	157	1	-	158
IT systems	182	-	90	92
Self insurance	33	8	-	41
Buildings and plant	86	-	86 $	-
Site and utilities	74	-	74	-
Major equipment	53	200	253	-
Matching equipment	3	-	3	-
Telecommunication equipment	(215)	125	-	(90)
	6,035	7,731	1,095	12,671
Operating activities				
Strategic initiatives	[illegible]	2,450	-	2,450
Short-term disability	[illegible]	400	114	286
Utilities	55	-	-	55
Academic development	7	15	4	18
Budget reductions	88	-	88	-
Campus planning studies	55	-	55	-
	205	2,865	261	2,809
Total	$ 6,240	$ 10,596	$ 1,356	$ 15,480

Note 14 Contingent Liabilities

- The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

- The University has identified potential asset retirement obligations related to the existence of asbestos in its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the full obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets is recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation (Note 8).

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 15 Contractual Obligations

The University has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2010	2009
Service contracts	$ 8,651	$ 9,681
Capital projects	6,974	35,119
Information systems and technology	1,063	1,217
Long-term leases	892	730
	$ 17,580	$ 46,747

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Capital Projects	Information systems and Technology	Long-term Leases	Total
2011	$ 1,365	$ 6,795	$ 253	$ 263	$ 8,676
2012	1,936	113	224	314	2,587
2013	1,936	66	193	90	2,285
2014	1,936	-	191	90	2,217
2015	1,470	-	126	90	1,686
Thereafter	8	-	76	45	129
	$ 8,651	$ 6,974	$ 1,063	$ 892	$ 17,580

Service contracts include contractual obligations the University has entered into for services such as electricity, insurance and consulting services. Capital projects include contractual obligations for the construction or purchase of capital items. Information systems and technology include contractual obligations for technology maintenance and services. Long-term leases are contractual obligations the University has entered into for the use of additional facilities and include fixed costs.

Included in service contracts is the University's agreement with CURIE. The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2009 CURIE had a surplus of $32,032 (2008 - $17,748). This surplus is an accumulation of four different underwriting periods. The University participates in three of the underwriting periods, which have an accumulated surplus of $28,647 as of December 31, 2009 (2008 - $13,771) of which the University's proportionate share is approximately 1.09% (2008 - 1.06%) at December 31, 2009. This surplus is not recorded in the financial statements.

Included in service contracts are electricity contracts in order to manage its exposure to the volatility in the electrical industry. The University has entered into contracts to fix a portion of its electrical cost at an average of $73 (2009 - $55) per megawatt hour. The three (2009 - three) contracts totaling $13,007 (2009 - $5,547) expire in December 2010 and 2014, and May 2016.

Note 16 Budget Comparison

The University's 2009 - 2010 budget was approved by the Board of Governors as was presented to the Minister of Advanced Education and Technology as part of the University's submission of its 2009 - 2013 Business Plan. Certain budget figures from the University's 2009 - 2013 Business Plan have been reclassified to conform to the presentation adopted in the 2010 financial statements.

Note 17 Investment Income

	2010	2009
Gain (Loss) on investments held for endowments		
Externally restricted	$ 5,259	$ (6,333)
Internally restricted	200	(109)
Gain (Loss) on other investments	16,148	(12,593)
	21,607	(19,035)
Amounts deferred	(1,587)	734
Investment income	(4,519)	6,758
	$ 15,501	$ (11,549)

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 18 Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Government of Alberta (GOA) are measured at the exchange amount and summarized below:

	2010	2009 Restated
Revenue from GOA		
Advanced Education and Technology:		
Operating grants	$ 85,677	$ 79,675
Enrolment planning envelope	9,755	11,622
Capital grants	4,692	48,313
Access to the Future Fund (matching grants)	3,000	3,000
Alberta Innovates - Health Solutions	1,794	1,554
Alberta Innovates - Tech Futures	925	337
Research grants	753	298
Alberta Innovates - Energy & Environment	726	384
Alberta Science and Research Authority	231	640
Alberta Innovates - Bio Solutions	110	-
Other	233	1,295
Facility operations support	-	323
	107,896	147,441
Other GOA departments and agencies:		
Alberta Culture and Community Spirit	1,371	-
Alberta Gaming & Liquor Commission	583	741
Alberta Education	188	94
Alberta Health Services	172	393
Alberta Sustainable Resource Development	75	-
Alberta Foundation for the Arts	69	57
Other	407	518
	2,865	1,803
Total contributions received	110,761	149,244
Less deferred contributions	(9,398)	(54,553)
Less transfer to endowments	(693)	(621)
	$ 100,670	$ 94,070
Accounts receivable		
Advanced Education and Technology	$ 5,933	$ 1,030
Other GOA departments and agencies	35	6
	$ 5,968	$ 1,036
Accounts payable		
Advanced Education and Technology	$ 178	$ 188
	$ 178	$ 188

The University has a long-term liability with Alberta Capital Finance Authority as described in Note 8.

Due to the Government of Alberta reorganization in April 2009, the table above shows the new agencies in 2010, as compared to the previous organizational structure. The categorization reflects the entities from which the University received its funding.

During the year, the University conducted business transactions with other public Colleges and Universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair values.

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a not-for-profit company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC. At March 31, 2010 the University had a loan receivable from ATIC of $434 (2009 - $635) resulting from paying certain operating expenses on

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 18 Related Party Transactions (continued)

ATIC's behalf. These amounts are included in the University's statement of financial position as accounts receivable.

The University has significant influence in the Canada School of Energy and Environment (CSEE), a not-for-profit corporation formed in partnership with the University of Calgary and University of Alberta to facilitate the integration of research discoveries in energy and environmental research across various institutions through receipt of grant funding. The University holds one-third of the Board member seats with the ultimate control being held by the other two partners. At March 31, 2010 the University submitted $ 117 (2009 - $ 82) in expenses to be funded by CSEE grants.

The University has committed to contribute $30 annually to the operating and capital costs of CYBERA, Alberta Cyberinfrastructure for Innovation, a non-profit organization mandated to provide provincial leadership in integrating, leveraging and sustaining investments in cyberinfrastructure technologies in Alberta.

Note 19 Salary and Employee Benefits

Treasury Board Directive 12-98 under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2010				2009
	Base salary [1]	Other cash benefits [2]	Other non-cash benefits [3][6]	Total	Total
Governance [4]					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	354	80	97	531	511
Vice-Presidents					
Vice-President Academic and Provost	258	32	47	337	317
Vice-President Finance and Administration	271	-	51	322	306
Vice-President Research [5]	211	10	54	275	251
Vice-President Advancement	189	-	38	227	213
Administrative leave benefit [7]					
President	-	-	-	89	179
Vice-President Academic and Provost	-	-	-	57	55
Vice-President Finance and Administration	-	-	-	76	59
Vice-President Research	-	-	-	29	167

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include housing allowances and research grants in lieu of salary.

[3] Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, extended health benefits, group life insurance, long term disability plans, professional memberships, supplementary benefit plan (as per point 6 below) and professional supplement allowance.

[4] The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.

[5] Two individuals held the position in the current year.

[6] Under the terms of the supplementary benefit plan (SBP), senior administrators will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are period expenses for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. Current service costs is the notional value of the benefits earned in the fiscal year. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 3.36% in 2010 (2009 – 4.15%).

[7] Administrative leaves are accrued for certain executive officers at a rate of one month for every five months served. If the leave is granted, all salaries and benefits excluding any housing allowances are paid on a monthly basis over the duration of the leave. Cash

University of Lethbridge

Notes to the Financial Statements
Year Ended March 31, 2010
(thousands of dollars)

Note 19 Salary and Employee Benefits (continued)

payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office. The cost of these benefits is actuarially determined using the projected benefit method prorated on service, a discount rate based on market interest rates and management's best estimates of salary and benefit increases to the assumed retirement or termination date. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. The amounts shown include current and prior service costs.

The current service cost and accrued obligation for each senior administrator under the SBP is outlined in the following table:

	2010				2009	
	Current service cost	Prior service and other costs	Net Cost	Accrued Obligation	Net Cost	Accrued Obligation
President	$ 51	$ 11	$ 62	$ 363	$ 61	$ 301
Vice Presidents:						
Vice-President Academic and Provost	13	1	14	37	13	24
Vice-President Finance and Administration	14	3	17	95	16	78
Vice-President Research	6	1	7	6		
Vice-President University Advancement	6	1	7	19	5	12

The significant actuarial assumptions used to measure the accrued benefit obligation are discussed in Note 7.

Note 20 Scholarships, Bursaries and Awards

In addition to the amount recognized, scholarships and bursaries totaling $2,708 (2009 - $2,863) were awarded to 2,003 (2009 - 1,954) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 21 Comparative Figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in the 2010 financial statements.

Financial Statements of

THE BANFF CENTRE

March 31, 2010 and 2009

THE BANFF CENTRE FOR CONTINUING EDUCATION

Financial Statements

For the year ended March 31, 2010

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes to Net Assets
- Statement of Cash Flows
- Notes to the Financial Statement

Deloitte.

Deloitte & Touche LLP
3000 Scotia Centre
700 Second Street S.W.
Calgary AB T2P 0S7
Canada

Tel: (403) 267-1700
Fax: (403) 264-2871
www.deloitte.ca

Auditors' Report

To: The Board of Governors of
The Banff Centre:

We have audited the consolidated statements of financial position of **The Banff Centre** as at March 31, 2010 and 2009 and the consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
May 28, 2010

Deloitte & Touche LLP
Chartered Accountants

THE BANFF CENTRE

Consolidated Statement of Financial Position
As at March 31, 2010
(in thousands of dollars)

		As at March 31, 2010		As at March 31, 2009
Assets				
Current assets				
Cash	$	3,630	$	5,012
Short-term investments (Note 4)		14,901		22,449
Accounts receivable		5,244		2,611
Pledges receivable		6,283		6,234
Inventories		424		437
Prepaid expenses		75		189
		30,557		36,932
Notes receivable and deferred charge (Note 5)		679		683
Long-term pledges receivable		10,476		9,579
Endowment and other investments (Note 4)		18,529		12,750
Capital assets and collections (Note 6)		128,640		93,711
	$	188,881	$	153,655
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	$	8,658	$	3,512
Accrued vacation pay		1,434		1,421
Unearned revenue and deposits (Note 7)		1,772		1,742
Deferred contributions (Note 8)		6,078		4,217
Current portion of long-term debt (Note 9)		287		276
		18,229		11,168
Long-term debt (Note 9)		1,727		1,835
Employment related liabilities		732		605
Employee future benefit obligation (Note 10)		2,071		1,290
Long-term deferred contributions (Note 8)		23,778		35,909
Deferred expended capital contributions (Note 11)		109,175		75,586
		155,712		126,393
Net assets				
Unrestricted (Notes 3 and 12)		16,883		15,983
Unrestricted - employee future benefits (Note 12)		(2,071)		(1,290)
Endowment (Note 13)		18,357		12,569
		33,169		27,262
	$	188,881	$	153,655

Signed on behalf of the Board of Governors:

Chair, Board of Governors

President

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE

Consolidated Statement of Operations and Changes in Net Assets
For the year ended March 31, 2010
(in thousands of dollars)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Revenue		
Accommodations	$ 10,683	$ 12,237
Grants (Note 15)	19,093	18,329
Other sales, rentals and services	10,182	10,724
Tuition and related fees	3,799	5,654
Donations and other contributions	4,785	6,102
Investment income	694	547
Amortization of deferred expended capital contributions	2,426	2,441
	51,662	56,034
Expense		
Salaries, wages and benefits (Note 16)	28,955	30,044
Change in employee future benefit obligation	781	130
Purchased services	3,273	3,336
Materials, goods and supplies	4,029	4,779
Scholarships and financial assistance	3,604	3,882
Facility operations and maintenance	1,721	2,858
Utilities	1,627	1,875
Travel, training and related costs	1,312	1,844
Rentals and equipment	955	1,176
Marketing and recruitment	621	827
Financial costs	919	675
Amortization of capital assets	3,759	3,774
Loss (gain) on disposal of capital assets	(13)	3
	51,543	55,203
Excess of revenue over expense	119	831
Internally designated funds for capital acquisitions	-	(7)
Excess of revenue over expense, net of transfers	119	824
Net assets, beginning of year	27,262	27,300
Endowment contributions and other transfers	3,865	2,083
Endowment earnings (losses) retained in the fund	59	(846)
Endowment unrealized appreciation (depreciation)	1,864	(2,106)
Internally designated funds for capital acquisitions	-	7
Net assets, end of year	$ 33,169	$ 27,262

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE

Consolidated Statement of Cash Flows
For the year ended March 31, 2010
(in thousands of dollars)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Cash flows from (used in) operating activities		
Excess of revenue over expense	$ 119	$ 831
Non-cash transactions:		
Amortization of deferred expended capital contributions	(2,426)	(2,441)
Amortization and loss/gain on disposal of capital assets	3,746	3,777
Change in notes receivable and deferred charge	4	4
Change in long-term employment related liabilities	127	141
Change in long-term employee future benefit obligation	781	130
Loss on natural gas storage investment	5	164
Changes in:		
Non-cash working capital (Note 17)	(1,051)	3,349
Deferred contributions and pledges receivable	2,583	114
Net cash from operating activities	3,888	6,069
Cash flows from (used in) investing activities		
Acquisition of capital assets	(34,751)	(17,540)
Endowment earnings (losses) retained in the fund	59	(845)
Disposition of short-term investments	7,548	6,654
Acquisition of long-term investments	(3,920)	(1,513)
Net cash used in investing activities	(31,064)	(13,244)
Cash flows from (used in) financing activities		
Capital and other deferred contributions	19,881	6,723
Pledges receivable	2,336	2,384
Debt principal repayments	(288)	(2,595)
Proceeds on long-term debt	-	2,341
Endowment contributions	3,865	2,083
Net cash from financing activities	25,794	10,936
Increase (decrease) in cash	(1,382)	3,761
Cash, beginning of year	5,012	1,251
Cash, end of year	$ 3,630	$ 5,012

The accompanying notes are an integral part of these financial statements.

Note 1 Authority and Purpose

The Banff Centre (the "Centre") is a corporation which operates under the Post-Secondary Learning Act (Alberta). The Centre is a registered charity, and under section 149 of the Income Tax Act (Canada), is exempt from payment of income tax.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The Centre's management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets, and provision for bad debts are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Financial Statements

The financial statements are prepared on a consolidated basis and include the accounts of The Banff Centre Foundation which is a corporation controlled by the Centre.

(c) Financial Instruments

Financial instruments are recognized at fair value when acquired. Measurement in subsequent periods depends upon the classification of financial instruments as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Items classified as held for trading or available for sale are adjusted for changes in fair value which are recognized in income in the period in which they arise; items classified as held to maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method.

Financial instruments are comprised of cash, short-term investments, accounts receivable, notes receivable, pledges receivable, endowment and other investments, accounts payable and accrued liabilities, accrued vacation pay, employment related liabilities and long-term debt including obligations under capital leases. Notes, pledges and accounts receivable are classified as loans and receivables and carried at amortized cost, which approximates fair value. At each balance sheet date these financial assets are assessed for impairment and the amount of any loss is measured as the difference between the carrying amount of the asset and its fair value and recorded in the statement of operations. All other financial assets are carried at fair value as these assets are held for trading. All financial liabilities are classified as other liabilities and carried at amortized cost, which approximates fair value. As permitted for Not-for-Profit Organizations, the Centre has elected to not apply the standards of CICA Handbook Sections 3862 and 3863 and the Centre has elected to continue to follow CICA Handbook Section 3861.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices continued**

Credit, Interest Rate and Market Risk - The Centre's accounts receivable and pledges receivable are subject to normal credit risks due to the nature of the Centre's customers and donors. The carrying values of these receivables reflect management's assessment of the credit risk associated with these customers and donors. The Centre's fixed income endowment and short-term investments are exposed to fluctuations in interest rates. The Centre's foreign currency holdings and long-term investments are subject to market risk. The Centre does not hold any derivative investments or asset-backed securities in its investment portfolios.

(d) *Inventories*

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is calculated principally using the weighted average cost method.

(e) *Pledges Receivable*

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(f) *Capital Assets*

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Capital assets, except property under development and the artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years
Technical equipment	5 years
Computer equipment	4 years

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre. Artworks are not amortized.

(g) *Revenue Recognition*

Amounts received for tuition, fees, and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

The Centre follows the deferral method of accounting for contributions.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings be retained as net assets or that the contributions not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to acquire non-amortizable property.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices continued**

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. External funds invested in capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of amortization expense and capital contributions revenue are matched to indicate that the amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(h) *Scholarships and Financial Assistance*

Scholarships and financial assistance include payments to resident artists and program participants for tuition, fees, accommodation and other program related costs.

(i) *Foreign Currency Translation*

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average monthly exchange rates. Gains or losses from these translations are included in financial costs.

(j) *Endowment and Other Investments*

Endowment and other investments are classified as held for trading and stated at fair value. Fair values are determined based on quoted market prices at year-end. Realized gains and losses and unrealized appreciation and depreciation of endowment investments are reflected in the statement of changes in net assets. Realized and unrealized gains and losses on other investments are recognized in revenue.

(k) *Employee Future Benefits*

The Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the Employers' participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of employer contributions to the plan. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The Centre does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. The contributions are calculated based on actuarially pre-determined amounts that are expected to provide the plan's respective future benefits.

(l) *Contributed Services*

Volunteers as well as members of the staff of the Centre contribute an indeterminable number of hours per year to assist the Centre in carrying out its mission. Such contributed services are not recognized in these financial statements.

Note 3 Changes in Accounting Policies

Effective April 1, 2010, the Centre adopted certain amendments to accounting standards applicable to Not-for-Profit Organizations. These amendments deal with the presentation of components of net assets; revenues and expenses; cash flow statements; the disclosure of related party transactions; and allocated expenses. The only material impact of these amendments is the presentation, applied retrospectively, of the Centre's investment in capital assets and collections as part of unrestricted net assets (note 12).

Note 4 Investments

Short-term

Short-term investments carried at fair value include Canadian and US dollar money market funds, Treasury Bill funds and Guaranteed Investment Certificates.

Long-term	2010		2009	
	Market Value	Cost	Market Value	Cost
Cash and cash equivalents	$ 233	$ 233	$ 698	$ 698
Government bonds	723	727	1,671	1,642
Corporate bonds	6,243	6,147	2,821	2,852
Equities	11,164	11,180	7,384	9,169
	18,363	18,287	12,574	14,361
Endowment earnings and other receivables	(6)	(6)	(5)	(5)
Endowment investments	18,357	18,281	12,569	14,356
Other investments	172	337	181	345
	$ 18,529	$ 18,618	$ 12,750	$ 14,701

Note 5 Notes Receivable and Deferred Charge

In prior years, the Centre advanced a total of $672,800 to Rocky Mountain Cooperative Housing Association (the "Cooperative") for the right to lease 42 accommodation units through December 2019. In December 2005, the terms of the notes were modified to discontinue the accrual of interest (interest accrued to that date was $26,037). The notes are unsecured, repayable in 2019. Commitments under these operating leases are included in Note 9 - Long-Term Debt and Commitments.

The notes receivable are discounted to a present value of $430,721 (2009 - $411,464). The discount is amortized using the effective interest method. The deferred charge of $222,699 is amortized over the lease period.

Note 6 Capital Assets and Collections

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land improvements	$ 2,722	$ 2,371	$ 351	$ 2,722	$ 2,325	$ 397
Buildings and improvements	97,406	38,845	58,561	96,630	36,476	60,154
Furnishings and equipment	27,578	21,576	6,002	26,544	20,494	6,050
Computer equipment	593	86	507	344	-	344
Artwork collection	1,214	-	1,214	1,214	-	1,214
Property under development	62,005	-	62,005	25,552	-	25,552
	$ 191,518	$ 62,878	$ 128,640	$ 153,006	$ 59,295	$ 93,711

Land is leased from the Government of Canada. The current lease expires on July 31, 2043, and is renewable.

Included in furnishings and equipment as at March 31, 2010 is net book value of approximately $191,000 related to assets under capital lease (2009 - $nil).

Note 7 Unearned Revenue and Deposits

	2010	2009
Accommodation deposits	$ 1,229	$ 820
Other sales and services	543	922
	$ 1,772	$ 1,742

Note 8 Deferred Contributions

	2010	2009
Deferred contributions, beginning of year	$ 40,126	$ 51,110
Contributions:		
Operating	8,297	1,604
Capital and other	19,881	6,724
Distributed endowment earnings	591	367
Transferred to operations:		
Grants and contributions	(2,374)	(3,033)
Endowment earnings utilized	(650)	(335)
Transferred to deferred expended capital contributions (Note 11)	(36,015)	(16,311)
Deferred contributions, end of year	$ 29,856	$ 40,126
Current portion of non-capital deferred contributions	(6,078)	(4,217)
Long-term deferred contributions	$ 23,778	$ 35,909
Deferred contributions are comprised of:		
Operating	$ 13,292	$ 7,539
Capital and other	16,564	32,587
	$ 29,856	$ 40,126

Note 9 Long-Term Debt and Commitments

	2010	2009
Term loan - Professional Development Centre	$ 1,835	$ 2,111
Capital leases	179	-
	2,014	2,111
Less: debt due within one year	(287)	(276)
Long-term debt	$ 1,727	$ 1,835

In April 2010, the Centre refinanced the term loan for a three-year period with blended principal and interest repayments of approximately $297,000 per annum. Interest is at 3.79%.

In January 2010, the Centre entered into a capital lease for new theatre lighting. The lease is for a 48 month period ending in January 2014 and has an implicit interest rate of 4.11%. The payments are approximately $4,000 per month.

Interest expense on long-term debt for the years ended March 31, 2010 and 2009 was $81,595 and $86,027, respectively. Interest expense approximates interest paid for both fiscal years.

Note 9 Long-Term Debt and Commitments continued

In July 2004 the Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period January 1, 2006 to January 1, 2011, at a rate of $0.0469/kwh. In October 2009 the Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period January 1, 2011 to December 31, 2014, at a rate of $0.0652/kwh.

The Centre is party to an agreement with Rocky Mountain Cooperative Housing Association under which the Centre is committed to the rental of 42 housing units through December 2019. Under this agreement, the monthly rent is approximately $47,733, and the total of all commitments over the remainder of the lease term is approximately $5,585,000.

The Centre is party to an agreement with YWCA Banff under which the Centre is committed to the rental of 13 single rooms through August 31, 2010. Under this agreement, the approximate monthly rent is $6,000 and the total of all commitments over the remainder of the lease term is approximately $28,000.

During 2006 the Centre began construction of new facilities as part of a phased redevelopment project expected to be completed by July 2010. During the fiscal year ended March 31, 2010, the Centre continued construction of the new Kinnear Centre and revitalization of Smith Hall under contracts totaling $69 million. Funding for these projects included $55 million from Alberta Advanced Education (all has been received except for $3.5 million) $15 million from the Government of Canada and other public and private donations to be raised during the Centre's capital campaign.

The Banff Centre has a Letter of Credit Facility of up to $200,000 ("Credit Facilities"). Drawings under this Commercial Letter of Credit Facility are available by way of commercial letters of credit. At March 31, 2010, $75,000 was issued leaving $125,000 of available credit.

Future expected minimum repayments including the effect of the refinancing of the term loan in April 2010 are as follows:

Year Ending March 31	Professional Development Centre	Capital Lease	Construction Contractual Obligations	Operating Leases
2011	$ 239	$ 48	$ 14,988	$ 898
2012	241	48	-	774
2013	246	48	-	699
2014	1,109	35	-	626
2015	-	-	-	573
thereafter	-	-	-	2,769
	$ 1,835	$ 179	$ 14,988	$ 6,339

Note 10 Employee Future Benefit Obligation

The Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the Centre's participating employees based on years of service and earnings.

The Centre does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense of $628,120 (2009 - $546,640) recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. The contributions are calculated based on actuarially pre-determined amounts that are expected to provide the plan's respective future benefits. The unfunded position of the plan as a whole is $1.729 billion as at December 31, 2009 and $1.187 billion as at December 31, 2008.

The UAPP is a multi-employer contributory defined benefit pension plan for academic staff members and other eligible employees. An actuarial valuation of the UAPP was carried out as at December 31, 2008. This was then extrapolated to the plan's year end of December 31, 2009 and further extrapolated to the Centre's year end of March 31, 2010. Based on an extrapolation of the UAPP's financial position to March 31, 2010, the UAPP reported an actuarial funding deficiency of $924,067,000 consisting of a pre-1992 deficiency of $646,208,000 and a post-1991 deficiency of $277,859,000. The Centre's portion, which has been allocated based on employer contributions to the plan, is estimated to be $2,071,000 at March 31, 2010 ($1,290,000 – March 31, 2009).

The significant actuarial assumptions used to value the UAPP's total accrued benefit liability are as follows:

(in thousands of dollars)	2010	2009
Accrued benefit obligation as of March 31	$ 3,265,538	$ 3,283,830
Discount Rate	6.90%	6.70%
Benefit costs for years ended March 31	$ 128,117	$ 113,100
Discount Rate	6.70%	6.70%
Average Compensation Increase	3.50%	6.00%

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2009 - 1.25%) of total earnings by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.03% (2009 - 1.74%) of total earnings required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2008 of the Province of Alberta's obligation for the future additional contributions was $270.2 million. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 4.64% (2009 - 4.08%) of pensionable earnings shared equally between employees and employers until December 31, 2021 and 0.28% of pensionable earnings until December 31, 2023.

Note 11 Deferred Expended Capital Contributions

Deferred expended capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred expended capital contributions balance are as follows:

		2010		2009
Balance, beginning of year	$	75,586	$	61,716
Transferred from deferred contributions to acquire capital assets (Note 8)		36,015		16,311
Transferred to revenue		(2,426)		(2,441)
Balance, end of year	$	109,175	$	75,586

Note 12 Net Assets

		Unrestricted		Employee Future Benefit Obligation (Note 10)		2010		2009
Operating net assets, beginning of year	$	15,983	$	(1,290)	$	14,693	$	13,862
Excess of revenue over expense, net of transfers		119		-		119		824
Internally designated funds for capital acquisitions		-		-		-		7
Employee Future Benefit Obligation		781		(781)		-		-
Operating net assets, end of year	$	16,883	$	(2,071)	$	14,812	$	14,693

Included in unrestricted net assets is $17,452,000 (2009 - $16,014,000) representing the Centre's investment in capital assets and collections. In previous years, these amounts were presented as a separate component of net assets.

Note 13 Endowments

		2010		2009
Endowments, beginning of year	$	12,569	$	13,438
Contributions and other transfers		3,865		2,083
Investment income		435		462
Net change in value				
Realized		215		(941)
Unrealized		1,864		(2,106)
Distribution of earnings available for spending		(591)		(367)
Endowments, end of year	$	18,357	$	12,569

Through March 31, 2010, the Centre had transferred $4,740,371 (through March 31, 2009 $4,640,371) of endowment contributions to the Banff Community Foundation and $1,800,000 (through March 31, 2009 $nil) of endowment contributions to the Banff Centre Foundation in accordance with the terms of an application for matching funds from Canadian Heritage under the Endowment Incentives program. These contributions and any matching funds will be held by the Banff Community Foundation and the Banff Centre Foundation and managed as a permanent endowment for the sole benefit of the Centre. The market and book values of funds held by the Banff Community Foundation at March 31, 2010, including matching funds, are $7,353,791 and $7,460,755 respectively. The market and book values of funds held by the Banff Centre Foundation at March 31, 2010, including matching funds, are $1,939,901 and $1,945,223 respectively. The Banff Community Foundation is a public charitable foundation not controlled by the Centre.

Note 13 Endowments continued

Endowments consist of externally restricted donations received by the Centre and are managed in accordance with the terms of the agreements between the Centre and the individual donors.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as Centre's policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-secondary Learning Act*, the Centre has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the Centre and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

Note 14 Capital Disclosures

As a Not-For-Profit organization, the Centre operates under a framework established by the Post-Secondary Learning Act of the Province of Alberta, which includes capital restrictions imposed on the institution. The Centre defines its capital as the amounts included in its deferred contribution and net asset balances. The Centre's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to support education and service delivery to the Centre's community and other stakeholders.

A portion of the Centre's capital is externally restricted and must meet certain requirements. The Centre has restricted capital balances in deferred expended capital contributions (note 11) and investment earnings from endowments (note 13). The Centre has internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

Management and the Board of Directors carefully consider fundraising campaigns, grants, sponsorship and investment income to ensure that sufficient funds will be available to meet the Centre's short and long-term objectives. The Centre monitors its financial performance against an annual budget. In the event that revenues decline or there are forecasted operating deficits, management will cut costs to minimize operating expenditures.

Note 15 Grants

	2010	2009
Base operating grant from Alberta Advanced Education & Technology	$ 15,955	$ 14,948
Other grants:		
Province of Alberta		
Advanced Education & Technology	20	1,021
Alberta Innovates-Technology Futures	261	-
Innovation and Science	69	99
Community Development and Other	309	269
Government of Canada - Canadian Heritage		
Canada Arts Training Fund (formerly known as Training Contribution Program)	1,875	1,340
Canada Arts Presentation Fund (formerly Arts Canada Program)	124	124
Museum Assistance Program	-	23
Other Government	480	505
	3,138	3,381
	$ 19,093	$ 18,329

Note 16 Salaries, Wages and Benefits

	2010	2009
Pension contributions	$ 1,624	$ 1,449
Salaries, wages and non-pension benefits	27,331	28,595
	$ 28,955	$ 30,044

Note 17 Changes in Non-Cash Working Capital

	2010	2009
Changes in:		
Accounts receivable	$ (2,633)	$ 3,769
Inventories	13	(5)
Prepaid expenses	114	(26)
Accounts payable and accrued liabilities related to operations	1,412	(561)
Accrued vacation pay	13	139
Unearned revenue and deposits	30	33
	$ (1,051)	$ 3,349

Note 18 Salary Disclosure

The salaries and benefits of the Board of Governors and senior management are as follows:

	2010			2009
	Salaries (1)	Non-Cash Benefits (2)	Total	Total
Board of Governors (3)	$ -	$ -	$ -	$ -
President	302	39	341	330
Vice-Presidents				
Programming	185	32	217	195
Finance	216	30	246	234
Hospitality & Conferences (4)	-	-	-	186
	$ 703	$ 101	$ 804	$ 945

(1) salaries include regular base pay and other direct cash remuneration

(2) non-cash benefits include the Centre's share of all employee benefits and payments made on behalf of employees including pension, health care, insurance and disability plans, tuition benefits and taxable benefits for the use of Banff Centre residences and vehicles

(3) the Chair and members of the Board of Governors receive no remuneration for their services

(4) the Vice-President of Hospitality & Conferences position did not exist in 2009/10

Note 19 Budget

The following represents The Banff Centre's operating budget for the fiscal year ended March 31, 2010.

Revenue	
Accommodations	$ 11,260
Grants	19,108
Other sales, rentals and services	10,263
Tuition and related fees	5,987
Donations and other contributions	4,102
Investment income	354
Amortization of deferred expended capital contributions	1,819
	52,893
Expense	
Salaries, wages and benefits	29,824
Purchased services	3,315
Materials, goods and supplies	4,344
Scholarships and financial assistance	3,812
Facility operations and maintenance	3,184
Utilities	1,814
Travel, training and related costs	1,603
Rentals and equipment	643
Marketing and recruitment	733
Financial costs	384
Amortization of capital assets	3,237
	52,893
Excess of revenue over expense	$ -